



INTEGRATED ANNUAL REPORT 2017

**WE NOURISH AND NURTURE  
MORE LIVES EVERY DAY**



**TIGER BRANDS**



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# WE NOURISH AND NURTURE MORE **LIVES EVERY DAY**

Tiger Brands is one of Africa’s largest, listed manufacturers of fast-moving consumer goods (FMCG). Our core business is manufacturing, marketing and distributing everyday branded food to middle-income consumers. We also distribute leading brands in the home, personal care and baby sectors.

In South Africa, Tiger Brands has prominent market shares in a broad range of categories, growing for almost a century through acquisitions and developing its brands.

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 FOR MORE INFORMATION SEE PAGES IN THIS REPORT

 VISIT OUR WEBSITE FOR ADDITIONAL INFORMATION



## Group profile

Tiger Brands has strong, iconic brands such as Albany, KOO and All Gold, with market-leading positions in most categories. Our brands are well entrenched with consumers.

Division	Category	Annual category value (Rm)	Tiger Brands value share %	Key Tiger Brands	Rank
<b>GRAINS</b>	Baked goods (bread)	6 285	32		<b>1</b>
	Maize	3 712	13		<b>2</b>
	Rice	4 887	30		<b>1</b>
	Pasta	1 581	40		<b>1</b>
	Breakfast	1 082	40		<b>1</b>
<b>SNACKS &amp; TREAT</b>	Sugar lines	4 685	38		<b>1</b>
<b>PERSONAL CARE</b>	Camphor cream and lotions	298	27		<b>1</b>
<b>GROCERIES</b>	Beans	1 863	63		<b>1</b>
	Mayonnaise	1 808	50		<b>1</b>
	Peanut butter	1 456	40		<b>1</b>
	Tomato sauce	928	70		<b>1</b>
	Canned vegetables	742	59		<b>1</b>
	Jam	740	33		<b>1</b>
	Tomato products	555	22		<b>1</b>
	Chakalaka	494	87		<b>1</b>
<b>VALUE ADDED MEAT PRODUCTS</b>	Canned processed meat	5 318	19		<b>1</b>
<b>BEVERAGES</b>	Concentrates	2 632	23		<b>1</b>
	Sports drinks	1 151	35		<b>2</b>
<b>HOME CARE</b>	Insecticides	1 392	49		<b>1</b>
	Sanitary cleaners	1 014	19		<b>2</b>
<b>BABY</b>	Homogenised food	813	86		<b>1</b>
	Baby care	872	15		<b>2</b>

Source: Nielsen.

In addition to our core South African business, we have operations in Nigeria and Cameroon. In recent years, we have built a sizeable exports business for our products throughout Africa.

Tiger Brands prides itself on being a world-class manufacturer and marketer of everyday branded goods. Our success is underpinned by the strength of these brands and continuous improvement initiatives. We support our core brands, backed by consumer and shopper research that provides comprehensive insights into our chosen categories and markets.

We also hold meaningful minority interests in associate companies:

- South Africa: JSE-listed Oceana Group Limited (42,1%) (fishing)
- Chile: Empresas Carozzi (24,4%) (FMCG)
- Nigeria: UAC Foods Limited (49,0%) (FMCG)
- Zimbabwe: Listed National Foods Holdings Limited (37,4%) (FMCG).

## About this report

This integrated annual report provides a consolidated view of Tiger Brands Limited's performance for the year to 30 September 2017, and follows a similar report for the year to 30 September 2016.

For further information, please contact the investor relations director, Nikki Catrakilis-Wagner  
T: +27 11 840 4000 E: investorrelations@tigerbrands.com

### Reporting principles and approach

By integrating financial, social and environmental performance, this report gives stakeholders a full understanding of our business, prospects and strategy in the context of our operating environment.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the South African Companies Act.

In reporting on environmental, social and governance (ESG) aspects, we are guided by:

- King IV report
- Listings Requirements of the JSE Limited
- Standards and codes governing specific areas, including the Department of Trade and Industry's broad-based black economic empowerment (BBBEE) codes of good practice
- Guiding principles of the International Integrated Reporting Committee (IIRC) framework (2013) – Tiger Brands reports against strategic goals and, as appropriate, how these affect the six capitals proposed in this framework

- We no longer apply the principles and guidelines of the Global Reporting Initiative (GRI G4), which will be discontinued in July 2018. For Tiger Brands, the comprehensive King IV is more applicable and appropriate.

### Boundary and scope

While this report is aimed primarily at providers of capital, we believe financial and non-financial disclosure will interest all stakeholder groups. The report covers the operations of Tiger Brands and its subsidiaries, with limited disclosure on associate companies, for the review period. There were no changes to the boundary or any measurement techniques in 2017.

The only significant change in our size, structure or ownership during the year was the disposal of our 51% interest in Ethiopia (East African Tiger Brands Industries). On 23 November 2017, Tiger Brands was notified that the transaction regarding the disposal of Haco Tiger Brands (Haco) has been approved by the Competition Authorities in Kenya. The estimated profit or loss on disposal is not expected to be material. These disposals reflect the refined approach to our Africa strategy of exiting non-core categories.

In the risk report (page 14), we identify external threats, opportunities and outcomes with a significant potential effect on our ability to create value. In our strategic review (page 18), we identify the most material issues for the group and outline our response.

### Supplementary information

This report should be read with the annual financial statements on our website for a full understanding of the group.

### Assurance

Our current combined assurance model is set out below:

Business process	Nature of assurance	Assurance provider	In this report
Annual financial statements	External audit	Ernst & Young Inc.	The scope of this audit is limited to information in the annual financial statements and does not extend to any financial or operating indicators in the integrated report.
Risk management and internal controls	Internal audit		Risk management, page 14. Audit committee report, page 82.
Environmental risk assessments	External audit	Marsh Proprietary Limited	Pages 66 to 69.
Social responsibility and sustainability	External audit	FTSE Russell	Tiger Brands ranks well on the FTSE ESG ratings (part of the FTSE4Good series), a multi-dimensional measure of environmental, social and governance exposure and practice.  The group reports annually on its carbon emissions under the global CDP. Refer to website.  In future, we will also publish a social return on investment (SROI) review of our socio-economic development projects.
BBBEE	External verification	EmpowerLogic Proprietary Limited	Transformation, page 52.

### Approval

The audit committee and board acknowledge their joint responsibility for ensuring the integrity of the integrated report. Appropriate judgement and rigour have been applied in preparing this report and we conclude that it is presented in accordance with the IIRC framework.

**Khotso Mokhele**  
Chairman  
Board

**Rob Nisbet**  
Chairman  
Audit committee

# How we did

## Financial capital

Domestic business delivers a strong performance in a tough trading environment with operating margins

up to **15,6%**

(2016: 14,1%)

Group operating income\*\* up 11% to

**R4,6 billion**

(2016: R4,2 billion)

Group operating\*\* margin up 110 basis points to

**14,8%**

(2016: 13,7%)

Cash from operations up 43% to

**R6,1 billion** benefiting from working capital improvements

(2016: R4,2 billion)

HEPS\* up **2%** to **2 155 cents**

(2016: 2 119 cents)

\* From continuing operations.

\*\* From continuing operations, before impairments and abnormal items.

## Our measures of success

● Met ● Partially met ● Not met

Key performance indicator	Five-year target (2021)	FY17	FY16 restated†#	Progress
Net sales (R billion)	Category growth +1 – 2% pa	31,3	30,6	●
Gross margin	+150 – 180bps*	33,4%	31,8%	●
Marketing investment (% of net sales)	+100 – 160bps	2,5%	2,5%	●
Operating margin (before IFRS 2 charges)	+100 – 160bps	14,8%	13,7%	●
Return on net assets	>35%	35,3%	30,4%	●

\* bps – basis points.

† Restated for early adoption of IFRS 15 Revenue from Contracts with Customers. Refer note 6 in the condensed consolidated financial statements.

# Restated as required by IFRS 5 for treatment of East Africa Tiger Brands Industries plc and Haco Tiger Brands Limited as discontinued operations.

## Human capital

Invested in our people **R57 million** (2016: R67 million)



## Natural capital

Water use intensity **2,12kℓ/ton** (2016: 2,32kℓ/ton)



## Intellectual capital

Innovation as % of revenue **4,3%** (2016: 4,5%)



## Manufactured capital

Invested in facilities **R919 million** (2016: R945 million)



## Social capital

Invested in communities **R35 million** (2016: R23 million)



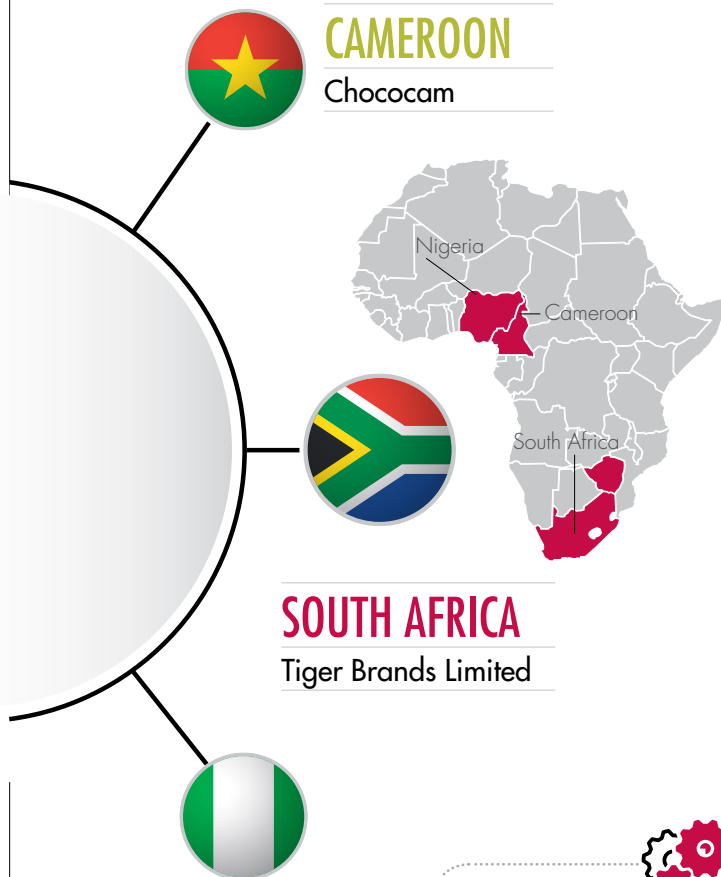
## Social capital

Beneficiaries reached **104 000** (2016: 101 000)



# Our markets and operating environment

We summarise key issues and trends in our operating environment for further insight on our performance.



**NIGERIA**  
Deli Foods

## ON-SHORE MANUFACTURING

- Zimbabwe
- South Africa
- Cameroon
- Nigeria

## Global growth

- Relatively steady growth as key global economies recover – reflecting rising employment and benign inflation

Ave % y/y	2015 <sup>a</sup>	2016 <sup>a</sup>	2017 <sup>f</sup>	2018 <sup>f</sup>
US	2,6	1,6	2,0	2,0
Eurozone	2,0	1,6	1,9	1,7
Japan	1,2	1,0	1,5	1,0
China	6,9	6,7	6,5	6,3
South Africa	1,3	0,3	0,7	1,1

<sup>a</sup> Actual <sup>f</sup> Forecast

## South African economy

- **South Africa out of sync** with global recovery, and briefly slipped into recession in 2017 (first time since 2009)
- **SA current business cycle downswing** has lasted four years, marking the second longest downturn in its history
- **Fiscus under extreme pressure:** lower tax collections (estimate – R51 billion), higher contingent liabilities from treasury guarantees on borrowings by state-owned entities (R689 billion), sovereign credit rating downgrades (with further downgrades likely)

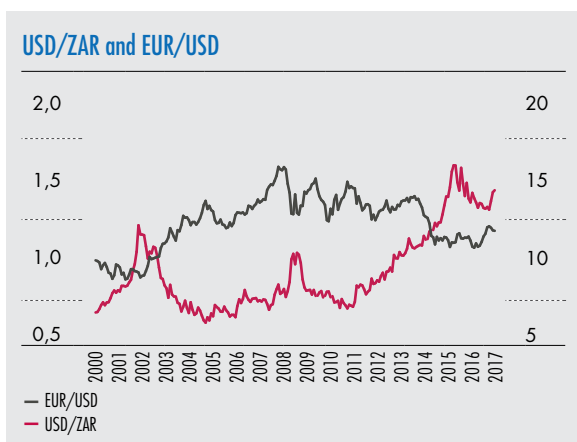
## EXPORT TERRITORIES

OUR DISTRIBUTION NETWORK SPANS **25** AFRICAN COUNTRIES

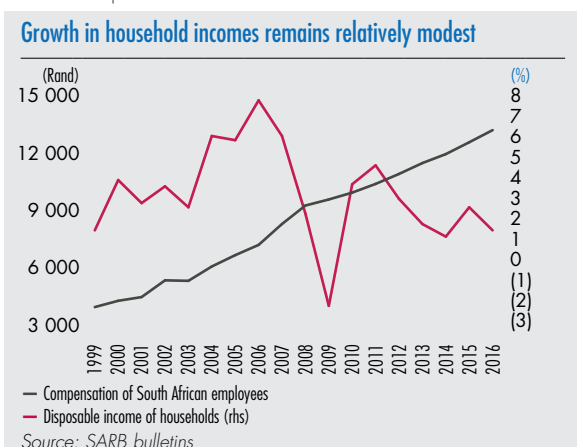


- Angola
- Burkina Faso
- DRC
- Equatorial Guinea
- Ethiopia
- Ghana
- Kenya
- Liberia
- Madagascar
- Malawi
- Mali
- Mauritius
- Mozambique
- Namibia
- Niger
- Nigeria
- Rwanda
- Reunion
- Seychelles
- Sierra Leone
- Sudan
- Tanzania
- Uganda
- Zambia
- Zimbabwe





- Despite broadly strengthening in 2017, rand extremely vulnerable to negative domestic political and economic news
- Inflation of 6,3% vs 0,2% real growth in personal income in 2016 keeping household expenditure under extreme pressure



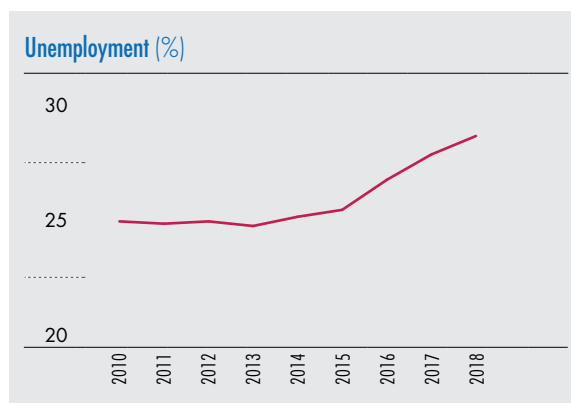
- Overall consumer spending environment expected to remain weak over the near term (weaker exchange rate, higher taxes + fuel levies (some R25 billion from consumers' pockets), higher fuel price (at 2014 peaks))

### Long-term trends in real income per person since 2011

	2011 – 2016	%
RO – R12 700		22,7
R12 701 – R51 000		6,0
R51 001 – R111 000		(1,9)
R111 001 – R240 000		(4,9)
R240 001 – R382 000		(6,8)
R382 001 – R787 000		(15,4)
R787 001 – R1 698 000		(19,7)
R1 698 001 +		(30,6)
Average		0,4

Source: BMR, Standard Bank Research.

- Unemployment reaches highest level in over a decade



### Political climate

- Knock-on effects of political uncertainty evident across economic sectors
- Significant economic risk from political developments ahead of ANC elective conference in December 2017 and run-up to 2019 elections

### Retail sector

- Slowdown in consumer spending has significant impact on JSE-listed consumer goods companies
- Year-on-year food price inflation at two-year low of 5,7% in August after averaging 8,4% in the first half. Forecast of 3,2% by early 2018
- Deflation in key raw material prices

### Key commodity price changes

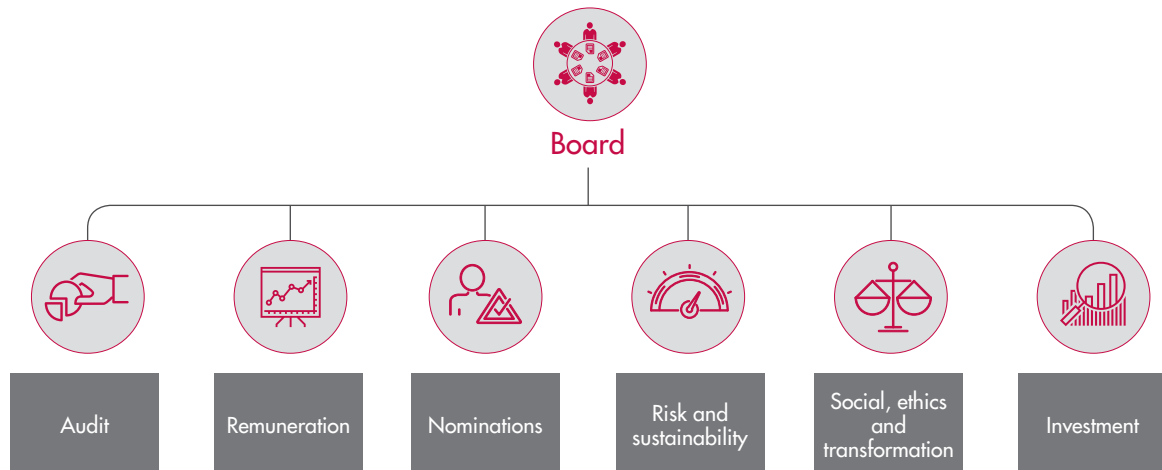
	End-September	% y/y
Brent crude (US\$/bb)	57,0	21,6
US wheat (US cents/bu)	461,5	(3,5)
SA white maize (R/t)	1 830	(49,0)
SA yellow maize (R/t)	1 953	(35,4)
SA wheat (R/t)	4 063	(3,3)

- Record maize crop estimated at over 16 million metric tonnes in the 2017 season more than double a year earlier, when the worst drought in over a century reduced the harvest to a nine-year low

Source: StatsSA, SARB, economic reports.

# Managing our business

Tiger Brands is committed to the highest standards of corporate governance. The board sets the tone and standards, particularly in terms of ethical and moral business behaviour, which filter down to executive management and all employees.



Directors and management understand their responsibilities as custodians of the company and its assets, and manage these on behalf of shareholders, who are the true owners of the company.

## Managing our business against global benchmarks



Benchmarks were an important component of our strategic review (page 18). In 2017, Tiger Brands was again assessed on its environmental, social and governance (ESG) exposure and risk. This multi-dimensional measure, conducted on behalf of the FTSE for all companies included in the FTSE4Good index series, evaluates the ESG risk and performance of companies worldwide to give market participants a useful tool for portfolio design and management against related criteria, or as a framework for corporate engagement and stewardship.

Our absolute score of 3,4 out of 5 positions Tiger Brands in the upper quartile (77%), but indicates that more needs to be done. On the measured pillars, we scored 2,6 (↓, primarily through inclusion of biodiversity from our associate Oceana) on environmental, 3,7 (↑) on social and 3,9 (↑) on governance, with the full scorecard on our website. Pleasingly, our scores improved for human rights and community, customer responsibility and anti-corruption.

## Managing our business sustainably

Sustainability (encompassing social, environmental and economic issues) is managed centrally by Tiger Brands' corporate affairs team and embedded in the group's strategy to create shared value for all our stakeholders through real benefits and constructive partnerships that secure our social licence to operate.

After thorough review, we have crystallised the key elements of Tiger Brands in society and what constitutes good corporate citizenship in creating shared value as:

- Moving from compliance to leadership in social development
- Tiger Brands as a force for good
- From charitable giving to sustainable social impact and shared value
- Constructive and strategic stakeholder engagement
- Employees as our ambassadors.

Importantly, given the pace of change in our key markets and our industry, our corporate affairs team is a central source of expertise in effective communication, government relations, stakeholder engagement and compliance in terms of BBBEE regulations to promote inclusive economic development. This team has the capacity to anticipate trends and changes in legislation, regulation and stakeholder needs, and the ability to plan and deliver appropriate responses.

# Towards a shared vision

Tiger Brands has produced commendable results in a year where the macro-environment has arguably been a greater impediment to corporate performance than in recent memory.



**Khotso Mokhele, Chairman**

### Introduction

In South Africa, four years of anaemic GDP growth are mirrored in unprecedented unemployment levels, which have led to deteriorating socio-economic conditions and heightened the risk of social upheaval. The policy certainty that is a prerequisite to turn national fortunes around is sadly eluding us, driven mainly by the mutually reinforcing twin factors of discord within the governing political party and massive corruption in state and parastatal institutions. Levels of alleged corruption have become almost endemic in certain key entities of governance, and attracted the attention of global authorities. These factors have combined to place South Africa on a slippery slope of negative business confidence and sovereign credit rating downgrades.

Recent scandals that have unmasked private sector collusion with state corruption could mark a tipping point that will energise the citizenry and civil society to arrest and even reverse many of the negative trends that have challenged our young and immature democracy.

It is thus serendipitous that the new and globally acclaimed benchmark in corporate governance, King IV, takes effect at this time, highlighting the importance of creating value for all stakeholders by managing public and private entities responsibly, ethically and

transparently. It is therefore crucial that compliance with King IV is not approached bureaucratically, but rather used to inspire activism in driving the values espoused in the code, not just within a particular company or entity but throughout society.

### Governance

There were several changes to the board of Tiger Brands in the review period. My tenure as chairperson began on 21 February 2017 on the retirement of my predecessor, André Parker. Two long-serving directors, Bheki Sibiyi and Santie Botha, also retired from the board in line with its succession plan. Two dynamic and competent directors, Emma Mashilwane and Swazi Tshabalala, were appointed to replace these experienced directors.

Prior to his retirement, Mr Parker had commissioned an externally facilitated and far-reaching review of the performance of the board. This yielded a number of recommendations which were implemented to strengthen board performance. Key among these was to strengthen the role of the board in setting the strategic direction of the company. Greater focus was also placed on strengthening the role of the investment committee to enhance the vigour with which potential mergers and acquisitions (M&A) will be assessed.



## Chairman's review continued

**Q** The depth of expertise and experience on the board is summarised on pages 74 and 75; we believe this is a very solid base of knowledge and thinking to guide Tiger Brands towards its strategic goals. Changes during the year are part of a rolling succession plan to capitalise on existing expertise while introducing fresh thinking, and fully comply with the requirements of King IV.

### Strategic progress

A major strategic review of the group was completed in the review period.

**Q** The group strategy (page 18) for the next five years is built around a clear purpose: to nourish and nurture more lives every day. Our vision sets out how we will achieve that purpose. This illustrates the integrated thinking that our new executive team, headed by CEO Lawrence Mac Dougall, has introduced. By considering the needs of all our stakeholders, we can build a sustainable group that consistently creates real value for all. To honour this purpose, we have set measurable targets. To reach these targets, we have refined the organisational structure for a simpler way of working, ensuring the correct skills are in place through internal development or external recruitment, and that people are accountable for their targets. The CEO elaborates on this process (page 11) and the remuneration report details our reward philosophy (page 88).

**Q** We also conducted a stakeholder engagement survey (page 26). Key insights from this and similar future exercises will be incorporated into our ongoing strategic development and remuneration processes. Equally, we listened carefully to issues raised by shareholders when they voted on our 2016 remuneration report, summarised by that committee's chair (page 94).

We are determined to unlock the full potential of Tiger Brands for the benefit of all. We understand that we will be measured and judged on every step we take towards our strategic vision. We have started that journey with more balanced reporting and improved disclosure to give stakeholders better insight into our ability to create value. We also understand that the proof of our determination rests on our performance and that a focused, energised Tiger team will deliver.

### Performance

Our financial performance over the last two years has placed the group on a stronger footing to deliver on its strategic vision. Please see pages 34 to 43.

### Responsible citizenship

Non-financial aspects of business have become imperative for the long-term sustainability of companies, and are integral to strong performance. Specific to Tiger Brands, climate change and its impact on food security have a direct impact on our ability to operate, as do socio-economic imbalances. As a natural scientist by profession, I consider these vital issues that will need the concentrated efforts of the public and private sectors, as well as individuals, to effect any lasting improvements.

We are determined to unlock the full potential of Tiger Brands for the benefit of all. The proof of our determination rests on our performance.

### Outlook

The CEO details the operational outlook for Tiger Brands. As the only consumer goods company in the JSE's top 40, our group has an important societal role to play. To honour the responsibilities inferred by this role, we are working with stakeholders at every level to address immediate concerns such as water supply and food security and, longer term, towards creating a more equitable, sustainable economy that benefits all the country's citizens.

Given the political tipping point we have reached in South Africa, and the broader implications, it is pertinent for me to comment on this sphere.

The elective conference of the governing party scheduled for December 2017 is likely to mark a critical milestone in the journey towards maturing our young democracy. For this journey to lead to a robust democracy, all stakeholders, including the private sector, will have to play their constructive part to ensure the values enshrined in our globally respected and admired constitution are defended and allowed to flourish.

South Africa Inc can no longer operate with the mixed messages and signals from major stakeholder groupings. Understanding that we are going to have to carry the cost for government failures across a broad front, it is time for business to fully commit to a sustainable democracy and display courage in ensuring that the political and public sectors live up to their constitutional obligations.

### Appreciation

With the full support of the board, the new Tiger Brands is unfolding. Change on this scale, however, is seldom easy and we deeply appreciate the commitment evident at every level. I am also grateful for the counsel and insight of my fellow directors, the dedication of the executive team and willing engagement from our key stakeholders. Together, we are working towards a shared vision.

We are sincerely grateful for the contributions of André Parker, Santie Botha and Bheki Sibiyi during their tenure. As a board, we appreciated the wisdom they added to proceedings.



**Khotso Mokhele**  
Chairman

28 November 2017

# Achieving our true potential

## Key strategic objectives

- Achieving our true potential by growing the core and expanding into adjacent categories and geographies, while delivering top tier financial results
- Deploy an operating model that provides the capabilities needed to deliver on our growth objectives
- Build distinctive capabilities required to win with consumers, customers and business partners
- Build a world-class integrated supply chain to leverage scale and create fuel for growth
- Investing in our communities and sustainable supply.



Lawrence Mac Dougall, *Chief executive officer*

## The head and the heart of our strategy

When I addressed the Tiger Brands team on the first day of our new financial year, it was with a sense of pride for the organisation we are and excitement for the significant opportunities ahead.

In the review period, we completed the groundwork for the strategy that will guide us to 2022, detailed on page 18. This required much work and, arguably, an unprecedented level of support, collaboration and commitment, all while delivering a strong operating result for the year. This was indeed an achievement and source of pride for the entire group.



## Chief executive officer's review continued

Essentially, 1 October 2017 was the start of our new five-year strategy and the first step towards our 2022 ambition to achieve our true potential. When we started this journey, almost a year ago, we agreed that our historical performance had not met expectations. We also had feedback from all levels of the organisation that our ways of working were not entirely conducive to leveraging our scale as one Tiger team resulting in an agile, lean organisation that responds quickly.

We therefore set about creating a new strategy and a new operating model that would unlock our true growth potential and deliver a sustainable, top-tier performance.

We started by defining our higher purpose, our reason for being: to nourish and nurture more lives every day:

- In the workplace, by creating meaningful opportunities for professional development and growth; committing to working safely; living our values; caring for each other and creating a great place to work
- Focusing on our communities and minimising our environmental footprint.

We then agreed a clear and compelling vision that encapsulates the head (financial targets) and heart (our stakeholders, beginning with our people) of our strategy:

- Deliver top-tier financial results and be recognised by all stakeholders as the best FMCG company in South Africa as well as the most desirable growth company on the continent. Fundamental to achieving our vision is attracting the best talent because we are recognised as a great place to work.

With a clear purpose and vision, we were able to focus on the growth plans to reach these goals:

- Realise maximum growth from our core business and brands in South Africa – by harnessing existing capabilities while building skills for the longer term, and managing costs while capitalising on organisational opportunities
- Expand our presence in developing markets, with the immediate priority of expanding the footprint of our power brands into Africa.

While we prepared for a sustainable future, we clearly still had to navigate the present by delivering against our FY17 targets. The operating environment remained intensely challenging, exacerbated by a highly competitive market. The level of political turmoil and social unrest escalated sharply as the economy

deteriorated. For the group, social unrest manifested in strikes at two operating units (beverages, and snacks and treats). While lost production clearly had a bottom-line cost for the group, improving our relationship with organised labour is more important. We are focused on strengthening both lines and means of communication to ensure we address concerns timeously and in a way that benefits all.

Our response to material issues within our control and those outside our control is detailed on page 22, but key for the executive team is to correctly manage the scale of change under way in our group needed to support our strategy. Essentially, this is a process that begins with refreshed values that, in turn, elicit the behaviours that support the key metrics or KPIs that mark our progress towards our strategic goals. We keenly understand that our people are fundamental to our strategy and as important as our brands, and we use periodic employee surveys to track their satisfaction and ensure we anticipate their changing needs.

While key factors in our market are summarised on pages 6 and 7, the state of South Africa highlights the need for companies to honour their commitments as responsible corporate citizens and deploy their resources most effectively to assist their own people, communities and broader society. We take this responsibility very seriously, investing in our people and communities during the year (detailed on pages 45 to 61), and against clear strategies to deliver tangible and growing benefits for all in years to come.

Overall, as detailed in the financial review on page 34, Tiger Brands delivered strong operating results in FY17, driven by our domestic business, particularly our flagship Grains and Groceries divisions, under difficult conditions.

Importantly, these results reflect our focus on balancing trade-offs, for example managing absolute growth in profitability against volume and market share movements, while driving the efficiencies that will create the fuel for our future. Similar trade-offs are being made to better manage our environmental footprint, for example by investing in the security of water supply through various water stewardship initiatives. While this benefits specific manufacturing units, it is vital for affected communities. These and other environmental initiatives are detailed on pages 68 and 69.



## New operating model

Throughout this review process, we benchmarked ourselves against best-in-class, locally and internationally, and we learned from detailed talent mapping where the capability gaps are, as well as where efficiency could be improved. This enabled us to craft an operating model that is truly specific to Tiger Brands, one that defines the capabilities we need to win and ensures the most effective trade-offs.

Implementing this new model is a complex project in a sizeable group with distinct operating units and a legacy spanning decades. It is founded on integration and the process has been facilitated by maximising available resources, such as pockets of excellence in specific disciplines or divisions, across the group. A good example of this approach is the progress made in scaling up centralised procurement into a hub that covers manufacturing, procurement itself and logistics or distribution. Our aim is to channel 80% of all procurement through the central hub over the medium term, from 50% at present. The hub has been appropriately staffed and targets set to maximise the scale of our group and simplify processes.

A vital component in the collaborative operating model is corporate culture. This, in turn, is a function of ways of working, ways of rewarding and ways of governing. We are simplifying our ways of working and reducing management levels while improving individual development and accountability. To attract the talent we need and retain existing capabilities, and after feedback from stakeholders, we have reviewed our remuneration structures (page 88) and strengthened the link to performance. Governance has been strengthened at board and executive level, with clear rotation and succession plans for the optimum balance between fresh insight and continuity. The new executive team is working well, and the group is benefiting from the experience and insight of external appointments to head grains, company secretariat and corporate affairs. We are also recruiting a new head of marketing as the incumbent retires in March 2018, a new head of human resources and a chief strategy officer, a new resource in the group. The executive team enters the new financial year well positioned to execute our strategy.

Transforming the corporate culture is a lengthy process, and one we have just begun. The progress and commitment to date are, however, deeply encouraging.

## Outlook

We have a compelling strategy and clear targets that will allow us to win with consumers and grow the strength of our brands sustainably. These results also underscore the capability of our team in a period when much of our focus was internal. In the year ahead, our focus will be more external as we concentrate on incorporating the insights from our broad stakeholder engagement.

The economic outlook for 2018 is muted and we expect the operating environment to remain highly competitive. The group is, however, well positioned to navigate this environment and our focus will be on recovering volumes and market share while remaining committed to a cost-conscious culture.

In addition, we will pay significant attention to growing our core portfolio, increasing market penetration through our customer strategy and unlocking much greater value through a world-class, integrated supply chain. We will also drive far more focused innovation and marketing excellence through distinctive new marketing capabilities, directing our capital expenditure and marketing investment to our power brands to improve returns. These strategic aims will support our broader growth ambitions outside South Africa.

## Appreciation

The commitment of Tiger teams across levels, divisions and geographies has been both humbling and inspiring. In return, unleashing the power of our people and creating a great place to work remains our priority and strategic lever for success.

Our board has been a source of great counsel and support throughout the year. We are deeply grateful. The contributions of our strategic partners and ongoing support from our service providers, suppliers and customers is equally valued. We will continue to listen to you, and work together towards mutual goals.



**Lawrence Mac Dougall**  
Chief executive officer

28 November 2017

# Risk management

Effective risk management is fundamental to our business activities and supports our strategic goals (page 18). By identifying and proactively addressing risks and opportunities, we aim to generate sustained value for stakeholders while protecting our business operations, reputation and the well-being of our employees.

Tiger Brands recognises that risk in business is a complex and diverse concept, and that many parts of the group focus on managing risk exposures. Our intention is that these parts work together in a consistent and integrated manner to manage and reduce risk appropriately. Ultimately, the function of risk management is to help Tiger Brands achieve its objectives and ensure a safer, healthier work environment for employees while preserving assets and earnings for the benefit of stakeholders.

## Approach

Tiger Brands effectively identifies, manages and reports on risk across the organisation. Risk management activities are embedded in daily operations through processes, resources and structures. The group has adopted an enterprise-wide approach, meaning that every identified material risk is included in a structured and systematic process of risk management.

## Risk appetite and tolerance

Risk appetite – the level of risk management is prepared to absorb before mitigating actions are implemented – has been determined by setting exposure limits at three tiers:

- Tier 1: any calculated risk exposure that requires no further management mitigation, ie does not present a catastrophic threat to Tiger Brands
- Tier 2: a threshold zone where any risk exposure that exceeds our risk appetite, but remains within the risk tolerance, may be acceptable but management must make a conscious decision about risk tolerance versus risk mitigation
- Tier 3: All exposure above our risk tolerance will be considered a significant risk and must be supported by a comprehensive mitigation plan and timeline for implementation.

Exposure limits are determined after assessing residual risk. The risk appetite, tolerance and velocity (time taken to feel the impact of a risk after it materialises) of the group is set by the risk and sustainability committee and approved by the board annually.



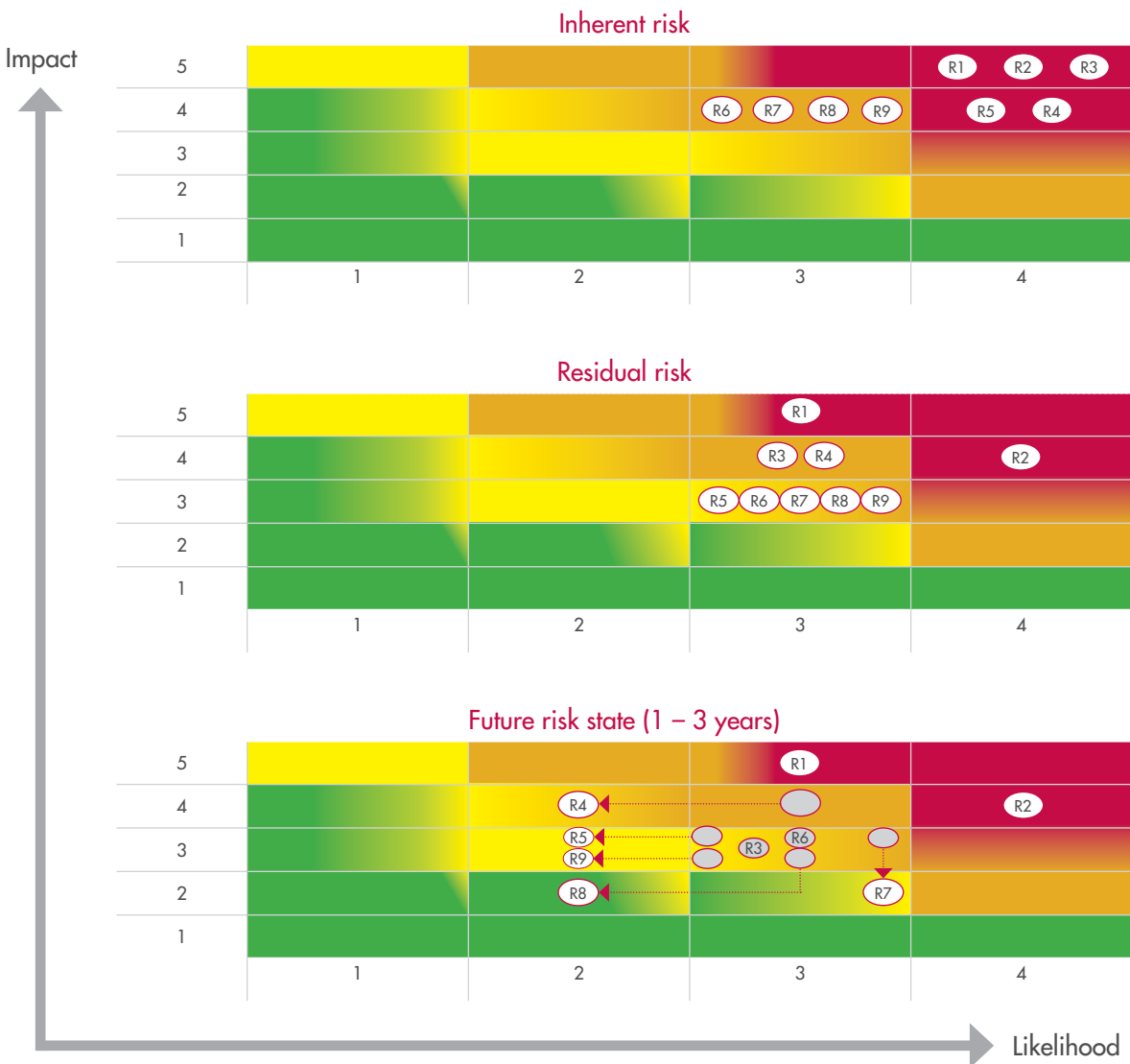
This process complements existing risk management processes and aims to ensure Tiger Brands effectively identifies, manages and reports on risk across all operations and all territories. The underlying reporting structure starts at site level and rolls up into the relevant business unit, followed by divisional consolidation to culminate in risk reporting at group level.

**Governance**

The board of directors is ultimately responsible for oversight of the group’s risk management processes. The risk and sustainability committee assists the board by ensuring that the risk management process complies with the relevant standards and governance requirements in all

the group’s operating territories. Senior management in each division and business unit is responsible for managing risks in its area. Oversight of risk management at divisional level rests with the relevant executive committees. Divisional and business unit risk registers are updated quarterly and the risk and sustainability committee meets three times a year.

To prioritise risks, each risk is evaluated in terms of likelihood and impact on an inherent (actual impact) and residual (after mitigating action) basis. The heat maps below reflect the significant inherent and residual risks for Tiger Brands.



- R1 – Threats to employee safety
- R2 – Adverse macro-economic outlook
- R3 – Exposure to cyber threats
- R4 – Business continuity vulnerabilities
- R5 – Regulatory and statutory non-compliance
- R6 – Risk of earnings decline from associates
- R7 – Fraud, theft, crime and corruption
- R8 – Ageing infrastructure
- R9 – Product quality



# Risk management continued

The future state of group risks represents the executive committee's view based on information available at the time of compiling this report. The group risk profile is reviewed quarterly and may be revised after considering changes to the local and macro-economic environment, crime, political developments, legislative and regulatory changes, socio-economic challenges and technological advancements. The Tiger Brands risk management process is therefore not a static view of risks facing the organisation.

## Significant risks

Significant exposures are determined by analysing business unit risks, divisional risks and group risks. The score for each risk is determined by multiplying the likelihood of the risk occurring with its impact on Tiger Brands. A risk is regarded as significant when its score exceeds the risk tolerance set by the board. The link between risks and material issues is complex, but we have noted how key risks relate to material issues below. The following risks are regarded as significant to Tiger Brands:

### Safety (Material issue: people – training and development, health and wellness)

At Tiger Brands, there is zero compromise on employee safety. Safety procedures aligned to the global OHSAS 18001 standard are embedded across all our manufacturing facilities, with restricted access controls at all production facilities.

Ongoing risk assessments, facilitated by an external security specialist, are focused on developing a strategy to reduce the safety risk to employees in certain businesses. A tailored risk response was developed from detailed risk assessments across these businesses, leading to a 90% year-on-year reduction in safety incidents.

In FY18, we will appoint a group safety manager and group security manager to coordinate and support these initiatives across the group.

While rigorous security risk assessments will be completed to establish clear priorities for an overarching group safety and security programme, a key focus in 2018 will be route to market security that poses a significant risk to Albany bakeries. Our health and safety performance for the review period is on page 50.

### Adverse macro-economic outlook (Material issues: weak macro economy and job creation, effectively executing our strategy, people, innovation, food security)

As outlined on pages 6 and 7, our operating environment remains intensely challenging. We are focusing on the significant opportunities for efficiency improvements that

have been identified in developing our new operating model. These will enable us to channel scarce resources to activities that drive the greatest impact.

### Exposure to cyber threats (Material issues: effectively executing our strategy, people, innovation)

While technology introduces greater variety and convenience for consumers and more efficiency for businesses, it also opens more avenues for people to be targeted by cyber criminals. The threat of cyber crime has been managed by establishing regular communication across Tiger Brands to all staff. The latest anti-virus software has been installed on all desktops and servers, and appropriate network security controls are in place.

Group IT will continue to monitor the cyber security landscape with a view to implementing the latest security solutions and revising existing controls to safeguard the group against cyber crime.

### Regulatory and statutory compliance (Material issues: effectively executing our strategy, people, innovation)

Tiger Brands is committed to complying with all legislative and regulatory requirements. Ongoing training programmes and articles in our in-house publication raise awareness about compliance and continuously provide guidance to all staff.

The governance forum, established to facilitate policy implementation aligned to the legal and risk environment, is attended by senior management across the business as well as support functions.

During the year, all levels of management, as well as sales and procurement staff, were trained in competition law. A better understanding of competition law aids employees in their day-to-day decision making and professional conduct.

Online ethics, anti-bribery and corruption training began in the latter part of the review period, reinforcing the ethical behaviour expected from all employees.

### Business continuity (Material issues: effectively executing our strategy, people, innovation)

Loss of life, reputational damage and business performance can all be compromised by a catastrophic event or unplanned disruption. Complete business-continuity plans are already in place for high-priority packaging and raw materials across the business.


To manage this risk holistically, we are rolling out a formal business-continuity management process for the group's manufacturing facilities over the next two years, ensuring a systematic and consistent approach to

business continuity. This risk is managed with appropriate group insurance cover, reviewed annually, and disaster-recovery plans that include replicating core business applications and services, with maintenance and support services agreements in place with key vendors. We are also reviewing and investing in fire water systems at all plants to lower the dependency on municipal water supply.

Water restrictions imposed by municipalities in the Western Cape have had a significant impact on our manufacturing processes. This spans the supply chain, from sourcing agricultural raw materials to water-dependent manufacturing processes. Low water pressure also poses a risk. Accordingly, all Western Cape manufacturing sites have implemented fit-for-purpose solutions, including water-recovery and treatment, while water-storage facilities have been installed where viable. As a strategic focus area, efficient use of water at all our manufacturing operations has yielded results, although the protracted drought requires ongoing initiatives to optimise and reduce water use.

Risk, control and environmental audits are performed by an external specialist annually. Results are used to improve business-continuity planning and disaster-recovery processes.

Comprehensive preventative maintenance plans are in place and regularly reviewed at all manufacturing sites to ensure supply meets demand requirements.

Exposure to the loss of power generation at all facilities is regularly reviewed, both at site level and head office from a centralised perspective. Although not an immediate or escalating risk, power-generating capacity is in place to cover key manufacturing processes where applicable. Our energy strategies are summarised on  pages 66 to 69.

**Fraud, theft, corruption and crime (Material issues: effectively executing our strategy, people, innovation)**

Internal controls are continuously reviewed to guard against fraud and crime through employee awareness campaigns, strict access control at all facilities, and working with the local police in investigating syndicated crime.


Our people are annually required to acknowledge compliance to key group policies on anti-bribery and corruption, ethics, and gifts and entertainment. The Tiger Brands ethics line is available to all employees, suppliers and customers to confidentially report unethical business practices without fear or victimisation. The ethics

committee independently validates the effective finalisation of all reports.

Access-control violations linked to fraud risks were significantly remediated across the group during the year.

**Risk of earnings decline from associates (Material issues: effectively executing our strategy)**

Oceana has significantly diversified its portfolio through the Daybrook acquisition in the US to reduce the level of reliance on fishing rights in South Africa and neighbouring countries. In recent years, the risk of fishing licences being allocated on increasingly stringent empowerment credentials has risen materially.

However, the strengthening of the rand against the dollar, slowdown in consumer demand and softer global markets for fishmeal and fish oil have had a marked impact on Oceana's earnings in the review period. Earnings from Oceana represent over 40% of total earnings from associates. The performance of our associate companies are summarised on pages 42 and 43. 

**Ageing infrastructure (Material issues: effectively executing our strategy, people, innovation)**

A new maintenance management system is being rolled out across the group to ensure appropriate and consistent planning and scheduling. In support, manufacturing optimisation studies will be conducted in FY18.

Total productive maintenance (TPM) has been implemented. This is a system of maintaining and improving the integrity of production systems through equipment, processes and employees. Significant capital expenditure investments have been completed or are currently under way across the group to align assets with innovation and capacity demands.

**Product quality (Material issues: effectively executing our strategy, innovation)**

Tiger Brands is committed to producing quality products that are aligned with our superior brand equity. To support this commitment, a central auditing body has been appointed and introduced to all sites in South Africa.

Good manufacturing practice (GMP) standards and the food safety system certification 22000 (FSSC 22000) have also been revised and are being implemented across the group. Our manufacturing, group legal and compliance functions collaborate effectively to ensure our products comply with all regulatory standards and meet consumer preferences.

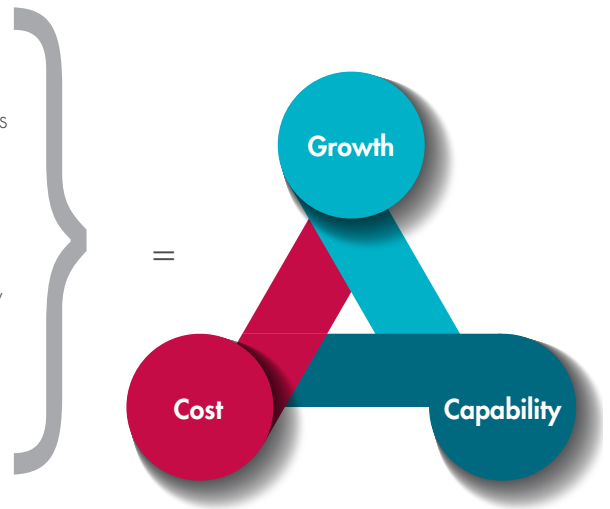
# Strategic review

## Achieving our true potential

In the review period, Tiger Brands completed the groundwork for the strategy that will guide us to 2022 (🌐 strategic review), detailed on page 20. 📄

### Developing a strategy for sustainable, profitable growth

- |  |   |
|--|---|
| <p>Portfolio growth and strategy</p>             | <ul style="list-style-type: none"> <li>• Rejuvenate domestic operations to profitable growth</li> <li>• International strategy accretive to domestic performance</li> </ul> |
| <p>Cost and investment strategy</p>              | <ul style="list-style-type: none"> <li>• Build a capable and cost-conscious culture with capacity to grow</li> </ul>  |
| <p>Operating model and organisational design</p> | <ul style="list-style-type: none"> <li>• Winning through a high-performance culture</li> </ul>  |



### We are focused on driving sustainable growth by:

**Growing the core** and expanding into adjacent categories and geographies

Adopting a **category-based approach** in the rest of Africa

Building sustainable capabilities required to **win with consumers, customers and business partners**

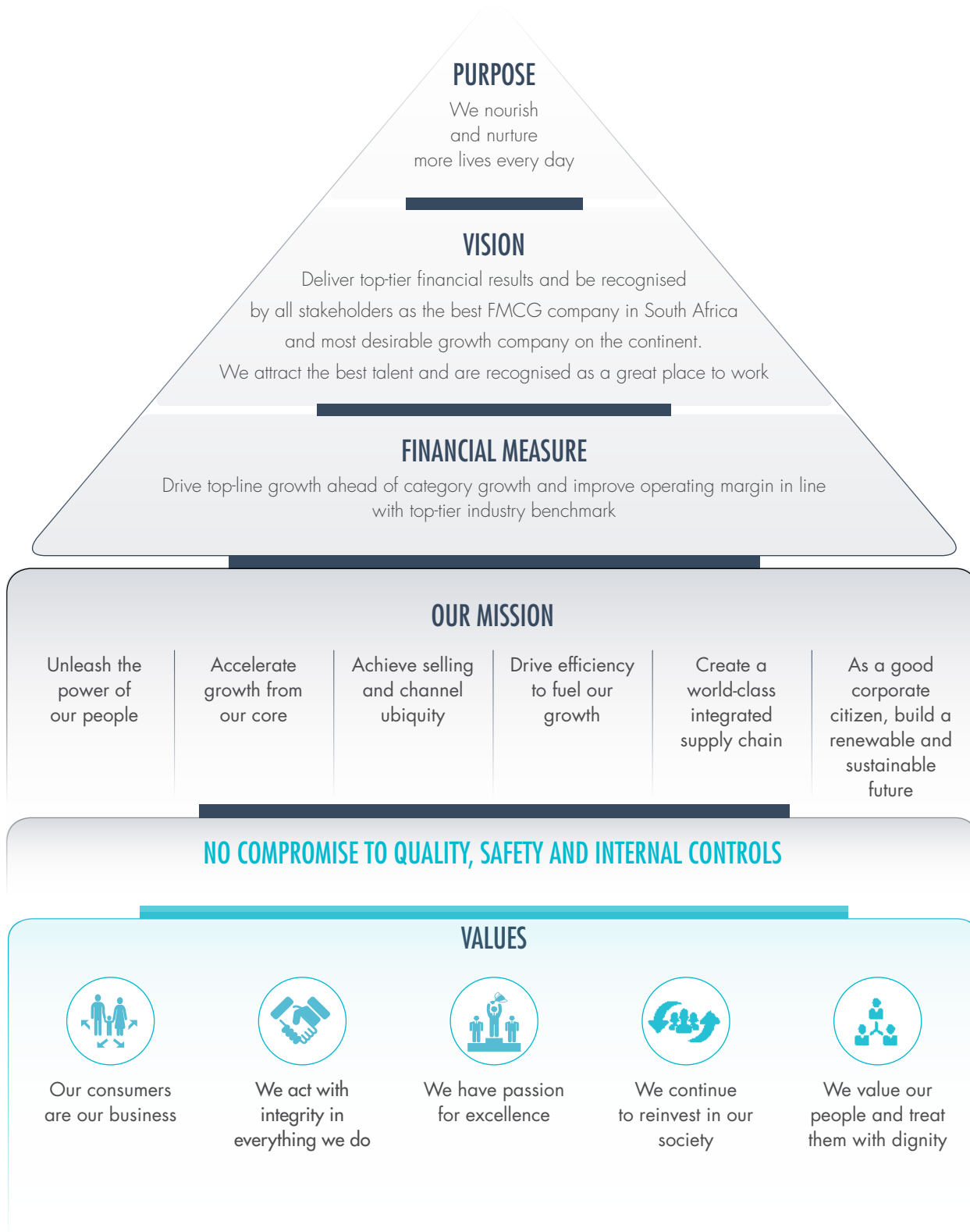
Deploying an operating model that provides the **right capabilities**

**Fuelling growth** through indirect spend excellence (zero-based spend) and zero-based budgeting

Building a **world-class integrated supply chain to leverage scale**



# Tiger Brands 2022 – achieving our true potential



## Strategic review continued

We have defined Tiger Brands' core as manufacturing, marketing and distributing everyday branded food to middle-income consumers (summarised below).

Everyday	Branded	FMCG	LSM 5 – 8
<ul style="list-style-type: none"> <li>• Part of the basket of goods bought for everyday use</li> <li>• Could be part of a segment that makes up something used every day – chutney (through condiments and ingredients, rice and pasta (through carbohydrates)</li> <li>• One of the eating occasions – breakfast, lunch, supper, snacks</li> <li>• Luxury goods not part of every day</li> <li>• Not cyclical goods</li> </ul>	<ul style="list-style-type: none"> <li>• Goods that command leading positions (number one or two) in their segments</li> <li>• Not commodity items, eg bulk, unbranded, business-to-business categories</li> </ul>	<ul style="list-style-type: none"> <li>• Food consumer staples is the core – part of key eating and snacking occasions</li> <li>• Bulk of food shopping basket</li> <li>• Adjacencies to leverage and protect the core</li> </ul>	<ul style="list-style-type: none"> <li>• Mass market, average consumer</li> <li>• Growing middle of South Africa</li> <li>• Metropolitan or urban</li> <li>• Fairly homogenous</li> <li>• Mostly employed</li> <li>• Brand loyal</li> </ul>

Our core already accounts for 70% of current sales. Middle-income consumers are a growing proportion of the South African market, are more brand loyal, have similar shopping destinations and use media in a similar way. Food is a large, attractive core with strong growth potential, allowing us to build on our established positions and good adjacencies.

### Measures of success

We plan to generate significant savings over the next five years, primarily from improving gross margin and driving efficiencies through zero-based spend. These savings will be reinvested in the core to capitalise on growth opportunities. The net impact is an anticipated increase in the operating margin (before IFRS 2 charges) of 100 to 160 basis points over the five-year period to 2022.

### Strategy implementation

We have made significant progress over the year, with the following key milestones already achieved:

- The new operating model was implemented from 1 October 2017. Capability gaps have been mapped and the recruitment process to fill these is well advanced
- Zero-based budgeting has been embedded in the 2018 budget process
- Good momentum on key capital projects that will help improve manufacturing efficiencies and provide additional capacity to achieve the required growth
- The supply chain transformation is well under way, with governance structures in place to enhance visibility of progress, issues and risks
- Ongoing work subsequent to the portfolio review to determine opportunities that will strengthen and refine the core portfolio and drive sustainable growth
- Work is also under way to identify and evaluate suitable M&A opportunities that will leverage our core capabilities.

We have put in place the foundations for a sustainable future, with a compelling strategy and clear targets that will allow us to win with consumers and grow the strength of our brands. This in turn will enable the group to create predictable value by delivering top-tier financial results and be recognised by all stakeholders as the best fast-moving consumer goods (FMCG) company in South Africa, as well as the most desirable growth company on the continent. Fundamental to achieving our vision is attracting the best talent, on the basis of being recognised as a great place to work.

# Changing the way we work

Our new operating model will refocus on the consumer, reignite innovation and leverage our scale as one Tiger Team – resulting in an agile, lean organisation that responds quickly and is aided by simple ways of working. A key enabler will be improved processes and enhanced systems.

## Operating model vision



# Our material issues

Our material issues are the culmination of a comprehensive process that begins with reviewing our risks, assessing our operating environment and engaging with our stakeholders – all as part of crystallising our strategy.

MATERIAL ISSUE	STRATEGIC RESPONSE
 <p><b>A weak macro-economic environment*</b></p> <p><i>Increased regulation Higher reliance on the private sector to deliver national infrastructure and services</i></p> <p><small>* This material issue applies equally to the rest of the continent</small></p>	<ul style="list-style-type: none"> <li>• Optimising efficiencies while minimising costs</li> <li>• Influencing mutually beneficial policy development</li> </ul>
 <p><b>Job creation – consequence of low-growth environment*</b></p> <p><i>We will be measured on the effectiveness of our enterprise and supplier development programmes, as well as our succession planning and skills development programme</i></p> <p><small>* This issue spans the value chain, lack of skills affects supplier delivery, which then impacts growth</small></p>	<ul style="list-style-type: none"> <li>• Build an agile group to create employment through growth; work with government to optimise vertical integration opportunities to protect and create jobs in our supply chain</li> <li>• Meet our skills development targets as part of the BBBEE scorecard</li> <li>• Maximise opportunities for extending our smallholder farmer development initiatives</li> </ul>
 <p><b>Effectively executing our strategy</b></p> <p><i>Understanding that we will be judged annually on how well we execute this five-year strategy, we will focus on building market confidence that we are incrementally delivering on our strategy – key measures include innovation rates as a percentage of revenue over a three-year period, cost targets, gross margin expansion, market share growth, marketing investment, net working capital and employee engagement</i></p>	<ul style="list-style-type: none"> <li>• Aggressively manage variable vs fixed costs to maintain and improve affordability</li> <li>• Adopting a centralised procurement strategy to maximise scale and drive efficiency of spend</li> <li>• Grow market share through brand building, relevant innovation and value offerings</li> </ul>
 <p><b>People – critical skills to deliver our strategy</b></p> <p><i>We will be judged by the speed and effectiveness of execution, preferred employer status and measuring employee feedback via our employee pulse surveys that monitor satisfaction</i></p>	<ul style="list-style-type: none"> <li>• Organisational structures redesigned to ensure a responsive company, aided by simple and interdependent ways of working</li> <li>• Recruiting and resourcing essential roles to address identified gaps</li> <li>• Revised remuneration philosophy linked to strategic plan</li> <li>• Training and developing our people</li> </ul>
 <p><b>Innovation – address unmet consumer needs and emerging trends; ahead of potential legislation/regulation</b></p> <p><i>Current regulatory issues include packaging waste, and pending sugar tax. In addition to legislative compliance, we will be measured by market share, brand equity and operating margin</i></p>	<ul style="list-style-type: none"> <li>• Centralised R&amp;D/innovation hub to create a sustainable pipeline</li> <li>• Improved procedures to enhance speed and success by better understanding consumers</li> <li>• Ongoing initiatives on product affordability through manufacturing optimisation/efficiency and alternative pack sizes</li> </ul>
 <p><b>Food security and security of supply</b></p> <p><i>We will be measured by the effectiveness of our climate-change and “green” initiatives, waste reduction (as a manufacturer), uninterrupted supply to our customers and consumers, quality of our products and broader impact on society</i></p>	<ul style="list-style-type: none"> <li>• Establish an integrated, dynamic supply chain that can deliver the required growth while unlocking cash. Where necessary and practical, this could include global sourcing</li> <li>• Procurement processes regularly reviewed to ensure compliance to best practice in ethical sourcing, and to identify and capture cost savings. We also review our pricing strategies and pack sizes to ensure consumers have affordable pack-size choices</li> </ul>



RELATED RISKS	STRATEGIC OBJECTIVES	KEY STAKEHOLDERS AFFECTED	READ MORE
<ul style="list-style-type: none"> <li>Increased industrial action and social unrest</li> <li>Increased regulation increases the cost and administrative burden of doing business</li> </ul>	<ul style="list-style-type: none"> <li>Adjusting our portfolio to address affordability and increase market share, supported by a cost-conscious culture and world-class integrated supply chain</li> <li>Invest in and support our brands to maintain strong brand equity and grow market share</li> </ul>	<ul style="list-style-type: none"> <li>All</li> </ul>	<ul style="list-style-type: none"> <li>Chairman's report, 9</li> <li>CEO review, 11</li> <li>Strategic review, 18</li> <li>Customer and consumer strategy, 62</li> </ul> 
<ul style="list-style-type: none"> <li>Business continuity vulnerabilities</li> <li>Inadequate human resource management</li> <li>Non-compliance to revised BBBEE codes</li> </ul>	<ul style="list-style-type: none"> <li>Portfolio growth and strategy</li> <li>Operating model and organisational design</li> <li>Unleashing the power of our people</li> <li>As a good corporate citizen, build a renewable and sustainable future</li> </ul>	<ul style="list-style-type: none"> <li>Employees</li> <li>Trade unions</li> <li>Government and regulatory bodies</li> </ul>	<ul style="list-style-type: none"> <li>Our people, 45</li> <li>Preferential procurement, enterprise development, 53</li> <li>Our communities, 56</li> </ul> 
<ul style="list-style-type: none"> <li>Inability to react to growing competition</li> <li>Failing to anticipate/respond to changing consumer preferences</li> <li>Inability to maintain cost competitiveness</li> <li>Failing to successfully execute business transformation programmes</li> <li>Managing input cost inflation poorly</li> </ul>	<ul style="list-style-type: none"> <li>Portfolio growth and strategy</li> <li>Creating a cost-conscious culture and world-class integrated supply chain</li> <li>Operating model and organisational design</li> </ul>	<ul style="list-style-type: none"> <li>Shareholders</li> <li>Analysts</li> <li>Media</li> <li>Customers and consumers</li> <li>Governments and regulatory bodies</li> </ul>	<ul style="list-style-type: none"> <li>Chairman's report, 9</li> <li>CEO's review, 11</li> <li>Risk report, 14</li> <li>Strategic review, 18</li> </ul> 
<ul style="list-style-type: none"> <li>Inadequate human resource management</li> <li>Employee health and wellness</li> <li>Threats to employee safety</li> </ul>	<ul style="list-style-type: none"> <li>Creating cost-conscious, high-performance culture and world-class integrated supply chain</li> <li>Operating model and organisational design</li> </ul>	<ul style="list-style-type: none"> <li>Employees</li> <li>Trade unions</li> </ul>	<ul style="list-style-type: none"> <li>Our people, 45</li> <li>Remuneration policy, 88</li> </ul> 
<ul style="list-style-type: none"> <li>Inability to react to intensifying competition and changing competitive landscape</li> <li>Failure to respond to changing consumer preferences</li> <li>Regulatory non-compliance</li> </ul>	<ul style="list-style-type: none"> <li>Portfolio growth and contribution to net sales from innovation</li> <li>Creating a cost-conscious culture and a world-class integrated supply chain</li> </ul>	<ul style="list-style-type: none"> <li>Customers and consumers</li> <li>Suppliers and service providers</li> <li>Government and regulatory bodies</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholder engagement, 26</li> <li>Preferential procurement, 53</li> <li>Our customers and consumers, 62</li> <li>Regulatory issues, 64</li> </ul> 
<ul style="list-style-type: none"> <li>Business continuity vulnerabilities</li> <li>Climate change – sustainably securing quality raw materials is being affected by environmental factors, eg protracted drought (Western Cape) and new pests (army worm blighting maize crops)</li> <li>Failure to protect and preserve the reputation of Tiger Brands</li> <li>Product quality</li> </ul>	<ul style="list-style-type: none"> <li>Creating a cost-conscious culture and a world-class integrated supply chain</li> <li>As a good corporate citizen, build a renewable and sustainable future</li> </ul>	<ul style="list-style-type: none"> <li>Suppliers and service providers</li> <li>Customers and consumers</li> <li>Government and regulatory bodies</li> </ul>	<ul style="list-style-type: none"> <li>Supplier development programme, 54</li> <li>Our customers and consumers, 62</li> </ul> 

# Our business model

We have adjusted the six capitals in the IIRC's integrated reporting framework to better suit our business model. By understanding what each capital contributes to our business, we balance the necessary trade-offs by ensuring we replenish our capitals most appropriately.

## Innovation

By focusing on fewer, bigger innovations through a centralised facility, we will **develop products that add value.**

## INTELLECTUAL CAPITAL

Consistent investment behind key brands to drive profitable growth

Knowledge drives our ability to compete and, in FY17, we invested **R771 million** (FY16: R765 million) for deep insight into ensuring our brands meet the changing needs of our consumers. We use our R&D capability and networks to deliver the innovation that supports the equity of our brands. Innovation accounted for **4,3% of revenue** in FY17 (FY16: 4,5%).

## Partnerships

We **partner with stakeholders** on common goals such as environmentally neutral agricultural processes. Our increased investment in enterprise development is focused on small-scale farming (page 54).

## SOCIAL AND RELATIONSHIP CAPITAL

Adding real value

We add value to society through numerous initiatives – **53% of value created** is distributed to community stakeholders annually (FY16: 53%).

### Tiger Brands aims for a virtuous circle of growth:

We drive growth by investing in innovation and brands to deliver products to millions of people every day. Leveraging our size, we are focused on spreading fixed costs and improving profitability.

## Consumer insights

We invest in **research and consumer marketing** for deep insight into the changing needs of our consumers such as value offerings (page 64).

## Consumer insights

## Sales

We work closely with retailers to ensure that our brands are always available and properly displayed, in all channels from top-end grocers to informal traders. **Five strategic growth drivers will ensure we reach full potential:** availability and fair share; price; pack size/format; unmet needs and trends; brand strength.

## HUMAN CAPITAL

People underpin our progress

In FY17, we invested over **R56 million in their well-being and skills**, striving for a consumer-focused, high-performance culture based on our core values (FY16: R67 million).

• **Procurement**

In FY17 we **saved a further R220 million** through customised sourcing strategies that ensure supply continuity, capacity for growth and rigorous compliance to food safety protocols. An expanded global sourcing programme has been instrumental in addressing domestic crop and ingredients shortages related to drought and disease. Key partnerships with suppliers continue to deliver value through joint cost savings plans and shared innovation objectives. We remain committed to supporting BBBEE and small business **spending R12,1 billion and R1,9 billion** in these categories. Our ambition to play a leading role in developing the agricultural sector remains a key priority **with R73 million of fresh produce sourced from black emerging farmers** in FY17. Through our partnership with government, we have spent **R30 million on enterprise and supplier development**, focused primarily on emerging farmers.

**FINANCIAL CAPITAL**

**Profitable growth**

We aim to deliver consistent value for stakeholders wherever we operate, firstly by remaining a profitable company that rewards shareholders appropriately. Total dividend **increased by 1% to 1 080 cents per share**. (FY16: +12% to 1 065cps)

**MANUFACTURING CAPITAL**

**Improved efficiency and flexibility**

We **continuously invest ahead of depreciation** to maintain and enhance our manufacturing sites across sub-Saharan Africa. We will continue to invest in improving our facilities and enhancing flexibility.

Procurement

Manufacturing

This will allow us to invest further, growing free cash flow and reinvesting in the business through innovation and marketing to sustain the strength of our brands. This drives growth and the virtuous circle continues.

Marketing

Logistics

**Manufacturing**

Tiger Brands operates **47 factories across Africa** and has invested R2,7 billion over the last three years in equipment to increase capacity and drive efficiencies across various sites. Notable highlights include increased capacity in Bakeries and significant savings in the consumer business. Other operations were modernised to increase capacity and efficiencies.

**Logistics**

We continue to refine our logistics network with selected partners to achieve **cost efficiency and the highest standards of customer service**. In FY17 our logistics improvement programme focused on leveraging our scale by introducing a logistics control tower and further integrating disparate networks to deliver **cost savings of R79 million**. Joint business planning with our customers and a relentless drive to expand our reach remain key thrusts to achieving our objective of having our iconic brands on the shelf at all times.

**Marketing**

We generate consumer-led growth through a marketing spend of **R771 million** in FY17, which is a three-year cumulative spend of R2,3 billion.

**NATURAL CAPITAL**

**Focused on responsible growth**

While our supply chain draws on most of our capitals, its key impact is on natural capital. Our procurement strategies focus **on ethical sourcing and the long-term sustainability of our processes**. Over the past three years, we have focused on reducing this impact through specific initiatives (page 66).

# Our key relationships

**We understand that sustainable relationships with key stakeholders are essential to our long-term growth. Shareholders, employees, consumers, customers and suppliers are all part of the chain that creates value.**

We also understand that we depend on broader society – not only stakeholders in our immediate value chain – to provide a conducive operating environment, and a consumer and talent base that we can reliably draw from in future.

As such, stakeholders in our broader socio-economic environment – law-makers, regulators, industry groups, the media and communities – all hold a stake in our licence to operate.

We develop key insights to inform our strategic choices for sustained growth through:

- A deep understanding of requirements for sustainable socio-economic development
- Considering the interests and expectations of material stakeholders
- Establishing relationships with stakeholders beyond our immediate value chain.

Stakeholder relations at Tiger Brands is, therefore, a strategic function. It is focused on constructive engagement to build positive reputational capital for the group as the principal mechanism underpinning our growth and sustainability (licence to trade).

We do this by acknowledging and understanding the role we play in society through multiple stakeholder lenses (the key issues and expectations our stakeholders have of us), using these expectations to inform our business strategy and decisions, and communicating these decisions back to our stakeholders. In this way, we build long-term value by establishing trust, good reputation and legitimacy.

Key elements of our stakeholder relations strategy include:

- Consistent approaches to engagement throughout the group
- Mechanism to anticipate risk and opportunities
- Coordinated framework for stakeholder management
- Leadership actively engaging with stakeholders
- Values-based engagement
- Stakeholder-focused as opposed to compliance-based engagement.

Our aim is to maintain our social licence to operate and protect the reputation of Tiger Brands as a trusted, strategic partner.

## Stakeholder engagement survey

In the review period, we concluded a survey to develop a baseline understanding of how stakeholders perceive the group's engagement with them. This aligns with our strategic goal of increased stakeholder inclusivity, and meets the requirements of King IV.

The survey was used as a listening exercise to generate valuable insights that will inform and strengthen stakeholder engagement and ultimately relationships. Results will be used to refine our stakeholder engagement strategy and to inform and guide future planning, and proactively manage stakeholder-related risks by addressing their material issues and concerns.

Key results of the survey are summarised on the opposite page.

### Key facts about the survey – conducted by external stakeholder management consultants

- Multiple methods of qualitative and quantitative data collection
- Target population included government (national and local)\*, shop stewards, suppliers, shareholders, pressure groups\*, community members, media, beneficiaries
- Stakeholders around ten Tiger Brands operations across South Africa were surveyed
- Final sample statistically significant at 70% of target population

*\* Poor response, with provincial government citing insufficient direct interaction with the group. Customers and employees are surveyed in separate initiatives (page 46 and 63)*



**Key results**

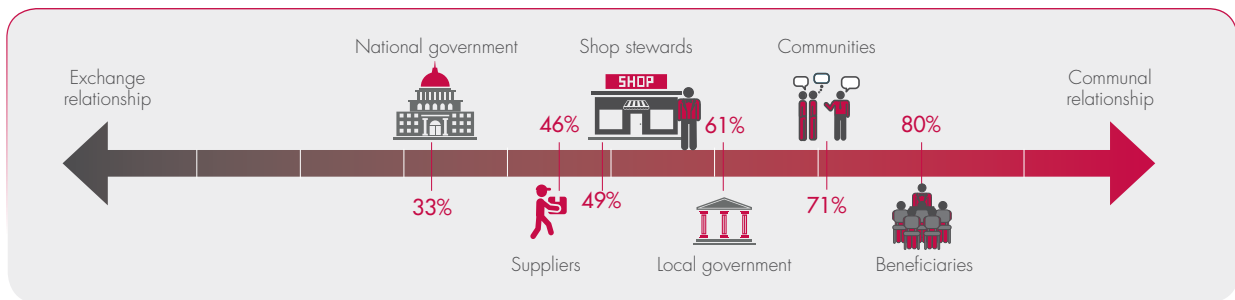
Based on these results, we are developing and training relationship owners across the group, and developing specific plans to address particular issues, which we will report on in FY18.

Performance metric	Score	Detail
Quality of engagement	72%  International benchmark Government 73% Communities 65% Suppliers 75% Media 60%	Government: national government 75%, local government 74% Communities 74% Suppliers 66% Shop stewards 65% Media 61%  36% of stakeholders “know very little” about Tiger Brands as a JSE-listed company. Their relationship (mainly local government and community members) is with one of our operations
Relationship health (relational capital)	70%	High: footprint communities 73%, beneficiaries of CSI projects and Tiger Brands Foundation 89%  Reasonable: national government 66%, shareholders 68%, local government 68%, suppliers 69%  Low: media 58%, shop stewards 60%  Stakeholders who scored Tiger Brands low cited engagement with the group as being too sporadic
Responsiveness on issues	67%	Local government cited its experience of the quality of our engagement as generally good, but asked for improved responsiveness on issues it regards as important

**Plotting Tiger Brands’ stakeholders on the exchange-communal continuum**



- In exchange relationships, the company gives benefits to stakeholders but expects to almost immediately receive benefits of comparable value “in exchange”. These relationships are conducive to commercial-type relationships.
- In communal relationships, the company’s motivation to provide a benefit is the welfare of the stakeholder, or long-term greater good of the collective. Communal relationships are important for sustainability, social relevance and shared value.




**How we fared**



# Our key relationships continued

## Key insights per stakeholder group

 <p><b>National government:</b> While engagement was generally of high quality, we will focus on improving access to Tiger Brands' information. As part of developing a track record of communal relationships, we will enhance the degree of stakeholder inclusivity.</p>	 <p><b>Local government:</b> Officials welcome the regional economic opportunity our activities support. As part of our more structured, continuous engagement in future, we will consider the real imperatives for sustainable socio-economic development and the negative impacts of our operations in certain instances, while ensuring we follow through on our commitments.</p>	 <p>Our <b>footprint communities</b> welcome their engagement with the group and are confident of our ability to make a positive contribution. We will ensure we improve accessibility at some operations, and respond more to real community needs, particularly in rural areas.</p>	 <p>The <b>media</b> believes Tiger Brands engages professionally and makes a positive contribution to food security, as do our peers. To build relationships based on satisfaction, trust and considering their legitimate interests, we are improving our rate of response and ensuring journalists have access to our leadership as required.</p>
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 <p>Our <b>shareholders</b> appreciate the high quality and transparency of their engagement with Tiger Brands. We are focused on improving this further by providing adequate disclosure on key issues while considering their feedback.</p>	 <p>We agree with <b>shop stewards</b> that work is still needed to achieve and maintain "preferred employer" status. Creating a great place to work is a strategic target, given intense competition for specific skills in our market. In considering the legitimate interests, priorities and realities of organised labour, we are ensuring that management communication across our sites is consistent and transparent.</p>	 <p>There is a high level of commitment and trust between the group and its <b>suppliers</b>. Given the scale of our supplier base, we are considering the different legitimate interests and engagement needs of different groups. This will include more continuous engagement, for example timely notification and effective handover when role players in Tiger Brands change. Together, we are focused on developing sustainable and mutually beneficial solutions, with inclusive growth opportunities.</p>
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### What are we doing with the information

Results were reviewed by the executive committee, social, ethics and transformation committee and the board. We have created a portfolio of dedicated managers to develop the strategy for stakeholder management, supported by relationship owners. Guided by metrics for each stakeholder group, we will develop an appropriate engagement plan for material stakeholders.

A key facet of our strategy to drive better engagement, resolve issues and co-create solutions for matters of mutual interest lies in developing relationship owners across the business. These are business leaders who have been identified and will be trained to manage and report on stakeholder health. This will bolster our relational value and provide additional governance and insight on issues before they become risks.





### Our response – by stakeholder

National government		Quarterly executive engagements with key government ministries
Local government		Operating sites' relationship owners will implement engagement plans at local level
Footprint communities		Socio-economic development champions at each site will be the points of contact and engagement
Media		At least two media roundtable discussions with the executive team of Tiger Brands
Shareholders		Shareholder and investor engagement planned for 2018 includes individual and group meetings
Shop stewards		Regional engagements with union leadership planned for 2018
Suppliers		Centralised management of key suppliers, with dedicated relationship owners




## Our key relationships continued

### Stakeholder issues in 2017

While the stakeholder survey becomes our benchmark for improving our engagements, we still need to address issues as they arise. Issues raised during the year are summarised below.

Key issues in 2017	Our response	Read more
<b>Customers (retailers/wholesalers)</b>		
<ul style="list-style-type: none"> <li>Increased competition amid muted consumer demand</li> </ul>	<ul style="list-style-type: none"> <li>Joint business planning initiatives and growth workshops with customers to stimulate shopper offtake and repeat purchase</li> <li>Driving in-store activation, on-shelf availability and general trade distribution to improve visibility and availability</li> <li>Increasing use of category management data to support innovation and new mobile platforms to develop insights and improve efficiencies at store level</li> </ul>	62 
<b>Employees</b>		
<ul style="list-style-type: none"> <li>New operating model and organisational redesign</li> <li>Performance and rewards</li> <li>Talent and career development</li> <li>Teamwork and collaboration</li> <li>Enhanced internal communications</li> <li>Wage negotiations</li> </ul>	<ul style="list-style-type: none"> <li>Regular, high-impact employee engagement sessions, one-on-one consultations and the recruitment of an in-house change management specialist</li> <li>The revised operating model and corresponding people strategy has directly considered and addressed these issues. Monitoring of existing and new issues have been included in the updated HR processes for example, pulse (satisfaction) survey and a dedicated employee relations centre of excellence</li> <li>Wage negotiations were settled while regular regional leadership engagements will be introduced</li> </ul>	21 45 
<b>Consumers</b>		
<ul style="list-style-type: none"> <li>Product affordability</li> <li>Value proposition</li> <li>Commitment and compliance to issues regulated by government (eg labelling, salt and sugar)</li> </ul>	<ul style="list-style-type: none"> <li>Mitigate inflationary pressures through cost-saving initiatives and operational efficiencies</li> <li>Evaluate need for smaller pack sizes and/or alternative, more affordable packaging formats</li> <li>Ensure our product quality meets consumer expectations and the brand proposition represents value</li> <li>Proactive communication on complying to regulation</li> </ul>	62 64 
<b>Community</b>		
<ul style="list-style-type: none"> <li>Food security and related nutrition issues</li> </ul>	<ul style="list-style-type: none"> <li>Maintain strong partnerships with governments and developmental agencies to support initiatives that promote nutrition, health and education, and contribute to the development of local communities and eradication of poverty</li> <li>Conduct social return on investment (SROI) review to assess the impact of our development initiatives</li> </ul>	56 64 



Key issues in 2017	Our response	Read more
<b>Investors</b>		
<ul style="list-style-type: none"> <li>• Lacklustre macro-economic outlook and its impact on the consumer</li> <li>• Lack of volume growth</li> <li>• Self-help initiatives</li> <li>• Strategy execution</li> <li>• Earnings growth and return on capital</li> </ul>	<ul style="list-style-type: none"> <li>• Disclosed the outcome of the strategic review</li> <li>• Clearly defined core as manufacturing, marketing and distributing everyday branded food to middle-income consumers</li> <li>• Identified growth drivers and self-help strategies in terms of a cost-conscious culture</li> <li>• Implemented optimal operating model to facilitate strategy and growth ambitions</li> <li>• Provided five-year targets for key performance indicators</li> <li>• Improved communication plan</li> </ul>	<p>18 21</p> <p></p>
<b>Government</b>		
<ul style="list-style-type: none"> <li>• Regulations on sodium reduction; proposed tax on sugar-sweetened beverages</li> <li>• Promoting awareness of nutrition education</li> <li>• Food security</li> <li>• Growth and development of local agricultural sector</li> </ul>	<ul style="list-style-type: none"> <li>• Complying with all relevant regulations; actively participating in dialogue before legislation is promulgated</li> <li>• Keeping abreast of emerging issues</li> <li>• Active partnerships to promote agri-sector development and greater inclusion of smallholder farmers</li> <li>• Nutrition education programme with the Department of Basic Education</li> <li>• In-school breakfast programme in partnership with Tiger Brands Foundation</li> </ul>	<p>54 57 60 64</p> <p></p>
<b>Media</b>		
<ul style="list-style-type: none"> <li>• Access to management and information</li> <li>• Swift response to queries</li> <li>• Fair treatment of consumers</li> </ul>	<ul style="list-style-type: none"> <li>• Specific website for media enquiries</li> <li>• Enhanced one-on-one media engagements</li> <li>• Respond to all enquiries within specified period</li> <li>• Respond to media on all consumer-related enquiries</li> <li>• Greater access to the CEO and CFO for editors and journalists</li> <li>• Increased participation in industry-related issues</li> <li>• Media management focus – we will appoint the relevant skills to deepen and broaden our engagement with the media</li> </ul>	
<b>Suppliers</b>		
<ul style="list-style-type: none"> <li>• Impact of currency volatility</li> <li>• Industrial pollution restrictions in China impacting costs of chemicals/acids</li> <li>• Disease (avian flu, citrus shortages, tomato leaf miner, etc)</li> <li>• Crop shortages amid adverse local and global weather conditions</li> </ul>	<ul style="list-style-type: none"> <li>• Leveraging Tiger Brands' procurement scale to step change input costs (supplier production efficiencies and throughputs)</li> <li>• Augmenting supplies by identifying new global supply sources and alternative ingredients for recipes</li> <li>• Actively researching and expanding sourcing programmes in SADC (Southern African Development Community)</li> <li>• Focused savings programme expanded to all procurement overheads to dilute impact of currency-related cost increases</li> <li>• Continued support to develop domestic farmers</li> </ul>	<p>34 53 54</p> <p></p>

## Our competitive advantages and market position

# The power of leading brands

In line with our strategy to have the first or second-placed brand in our chosen categories, we have built a solid portfolio of leading brands over the years.

This was again reinforced in the 2017 *Sunday Times* Top Brands Awards. In the prestigious Grand Prix category, All Gold and KOO were among the top five favourite brands in South Africa. Tastic was voted the number 1 essential food brand for the second consecutive year, followed by Albany (number 2) and Fatti's & Moni's (number 5). KOO was also voted number 1 in the Ask Afrika Icon Brands Survey 2016/2017 (page 33).

"We find that, despite the pressures that consumers face in this economy, they tend to purchase brands and products that guarantee them consistency and value for money. Albany is one of those brands that is trusted to deliver on its promises."

Pieter Spies, head of Tiger Brands Grains division, *Sunday Times* Top Brands survey, September 2017.



The common thread they [All Gold Tomato Sauce, Crosse & Blackwell Mayonnaise and Mrs Ball's Chutney – three Tiger Brands products in the top five in the condiments and sauces category] all enjoy is how long families have had them in their cupboards and on their tables.

*Sunday Times* Top Brands survey, September 2017.

Our brands also feature prominently in their categories:

<b>TINNED FOODS</b> No 1 <b>KOO</b> No 3 <b>All Gold</b> No 5 <b>Enterprise</b>	<b>ESSENTIAL FOODS</b> No 1 <b>Tastic</b> No 2 <b>Albany</b> No 4 <b>Fatti's &amp; Moni's</b>	<b>CONDIMENTS &amp; SAUCES</b> No 1 <b>All Gold Tomato Sauce</b> No 2 <b>Crosse &amp; Blackwell Mayonnaise</b> No 4 <b>Mrs Ball's Chutney</b>	<b>FRUIT JUICES</b> No 4 <b>Oros</b> No 6 <b>Halls</b>	<b>CEREALS</b> No 3 <b>Jungle Oats</b> No 6 <b>Morvite</b> No 9 <b>Jungle Oatso Easy</b>	<b>CHILLED PROCESSED MEATS</b> No 1 <b>Enterprise</b> No 4 <b>Renown</b> No 5 <b>Mielie-Kip</b>	<b>PERSONAL CARE</b> No 5 <b>Ingram's</b>

2017 *Sunday Times* Top Brands Awards.

# 2017 awards and accolades

## Ask Afrika Icon Brands 2016/2017

This annual benchmark survey identifies the brands most loved and used by South African consumers. Tiger Brands again featured prominently, winning more categories while five of our brands were awarded prestigious icon brand status.



NUMBER ONE

### Condiments/sauces:

tomato sauce

Condiments/sauces:  
salad dressing category  
Cook-in/prepared sauces  
and marinades

Spreads:  
marmalade  
Chilli/hot sauces



Category	Winner
Bread	Albany
Cake/baking mixes	Golden Cloud
Cereal bars	Jungle Energy Bar
Condiments: mayonnaise	Crosse & Blackwell
Condiments: tomato sauce	All Gold
Maize meal and samp	Ace
Meat products: bacon	Enterprise
Meat products: polony	Enterprise
Pasta	Fatti's & Moni's
Prepared and cook-in sauces/ pastes/gravies	All Gold
Rice and couscous	Tastic
Sport drinks	Energade
Spreads: peanut butter	Black Cat
Tinned fruit	KOO
Tinned vegetables	KOO
Tinned beans	KOO

Key icon brands



NUMBER ONE

Spreads:  
Peanut butter  
Black Cat



NUMBER ONE

KOO  
Tinned vegetables



KOO  
Tinned beans



KOO  
Tinned fruit



Only the best will do

# Successful margin improvement

Tiger Brands reported a relatively strong set of results driven by revenue growth of 2% to R31,3 billion and 11% operating income growth, before IFRS 2 charges, to R4,6 billion. Operating margins increased to 14,8%.



**Noel Doyle**, *Chief financial officer*


Cash generated from operations rose 43% to R6,1 billion, benefiting from improved working capital management.

This improvement was due to improved pricing strategies enhanced by good procurement and better cost control. Intense competitor pricing activity and declining consumer confidence resulted in volumes decreasing by 3%. Cash generated from operations rose 43% to R6,1 billion, benefiting from improved working capital management. Headline earnings per share increased by 2% driven by the domestic performance and diluted by a disappointing performance from associates and the Deciduous Fruit business.

As previously reported, the disposal of East Africa Tiger Brands Industries (Ethiopia) was concluded, effective 4 April 2017 while all suspensive conditions have been fulfilled with regards to the disposal of Haco.

Consequently, both have been treated as discontinued operations in these results, with the comparative information restated accordingly.

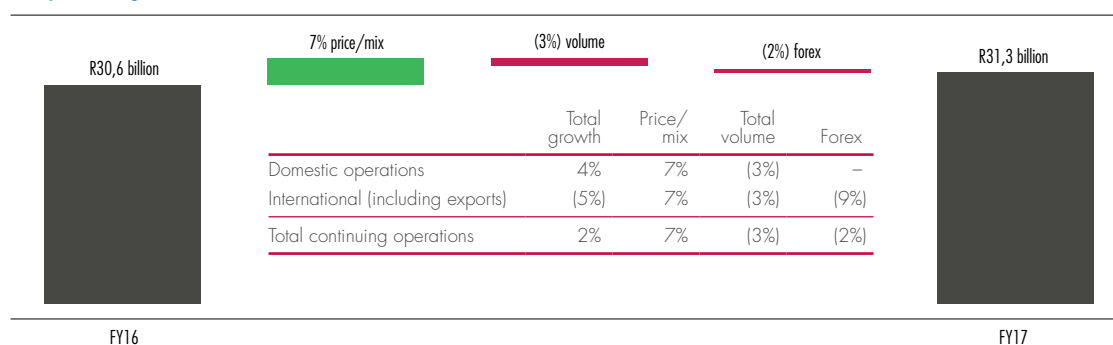
### Analysis of financial performance

The following review of the group's financial performance should be read together with the annual financial statements ([www.tigerbrands.com](http://www.tigerbrands.com)). 

### Income statement

Group revenue growth from continuing operations increased by 2%. The revenue performance in the second half is indicative of a significant slowdown in the rate of price increases, due largely to declining commodity prices and a stronger rand. Gross margins benefited from improved pricing and procurement strategies, which helped offset other inflationary increases in raw material costs. Well-controlled conversion costs and efficiency enhancements contributed to further positive leverage in gross margins.

### Group revenue growth



During the year, investments, goodwill and intangible assets totalling R560 million (2016: R335 million) were impaired. This related mainly to an impairment of the goodwill in the Exports division of R300 million, and an impairment of R250 million against the investment in Nigerian associate, UAC Foods. These impairments reflect the continual assessment of risks associated with these businesses amid ongoing difficulties faced across our key markets in Africa. These are primarily the result of deteriorating macro-economic factors, largely linked to falling commodity prices and exacerbated by currency devaluations in Nigeria and Mozambique. In addition, the lack of foreign exchange liquidity required trade credit to be managed tightly, inhibiting revenue growth.

The abnormal loss of R23 million (2016: abnormal gain of R11 million) comprises once-off costs for the recent strategic review and related restructuring provisions, partially offset by the profit on disposal of property as well as income from insurance claim proceeds and certain warranty claims.

Net financing costs of R207 million (2016: R162 million) benefited from a reduction in interest charges of R117 million to R180 million, due to lower debt levels. A net foreign exchange loss of R30 million was realised compared to a gain of R129 million in the prior year, of which R153 million related to a gain on the settlement of non-recurring debt in Nigeria.

Income from associates decreased 38% to R533 million (2016: R861 million). The comparative period included capital profits of R117 million from asset disposals. After adjusting for this, associate headline earnings decreased by 29%. This reflects challenging operating conditions for Oceana, in particular, as well as Carozzi and UAC Foods.

A 2% improvement in the effective tax rate before abnormal items, impairments and associates, to 28,9% (2016: 30,9%) was largely due to investment allowances received on qualifying major capital projects.



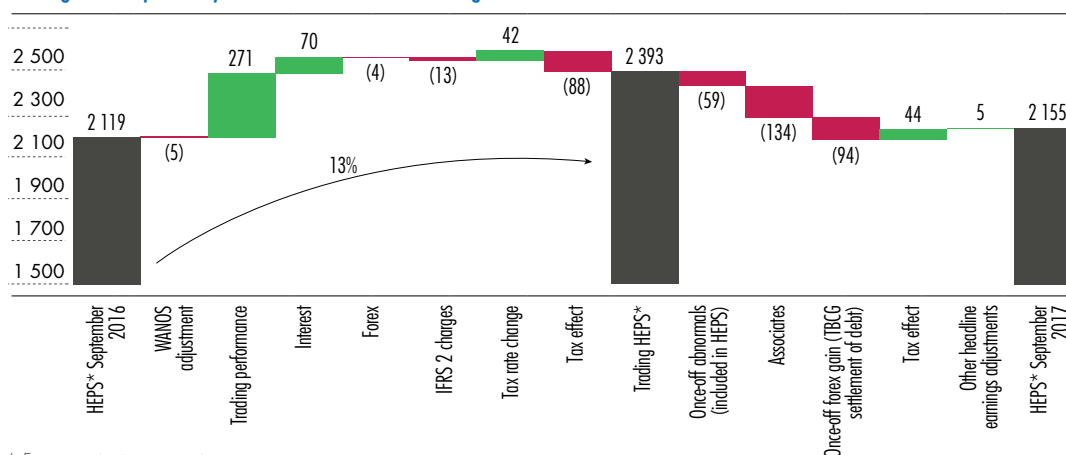
## Chief financial officer's review continued

HEPS from continuing operations was up 2% to 2 155 cents (2016: 2 119 cents). The deleverage between operating income growth of 11% and HEPS growth of 2% primarily reflects a significantly lower contribution from associates, costs associated with the strategic review and related restructuring provisions as well as the once-off forex gain in the prior year.

Earnings per share (EPS) from continuing operations decreased 7% to 1 848 cents (2016: 1 996 cents), driven primarily by higher impairments in the current year.

EPS from total operations decreased by 6% to 1 915 cents (2016: 2 034 cents), while HEPS from total operations increased 2% to 2 161 cents.

### HEPS growth impacted by associates and once-off forex gains in FY16 (cents)



\* From continuing operations.

### Segmental performance

The domestic business delivered operating income growth of 15% while an improved performance from Exports and International was offset by Deciduous Fruit.

	Grains	Consumer Brands Food	HPCB	Exports and International	Group*
Volume	▲ 1%	▼ 9%	▲ 2%	▼ 3%	▼ 3%
Turnover	R13,3bn ▲ 5%	R11,1bn ▲ 1%	R2,7bn ▲ 9%	R4,2bn ▼ 5%	R31,3bn ▲ 2%
Operating income**	R2,4bn ▲ 18%	R1,3bn ▲ 7%	R0,6bn ▲ 17%	R0,4bn ▼ 20%	R4,6bn ▲ 11%
Operating margin**	▲ 17,7%	▲ 11,5%	▲ 23,5%	▼ 9,5%	▲ 14,8%

\* From continuing operations.

\*\* Before IFRS 2 charges, impairments and abnormal items.

Revenue in the domestic business increased 4% to R27,1 billion (2016: R26,2 billion), driven primarily by Grains and Groceries. Operating income before IFRS 2 charges grew 15% to R4,2 billion (2016: R3,7 billion), while the operating margin increased from 14,1% to 15,6%. The deteriorating economic environment continued to put pressure on consumer demand, resulting in volume contraction of 3%.

The group's overall operating performance was impacted by the underperformance of the Exports and International division. Revenue for this division was down 5% to R4,2 billion while operating income declined 20% to R399 million, driven primarily by the Deciduous Fruit business where performance was severely impacted by the stronger rand. Although the Export business continued to face a challenging environment, with no improvement in foreign currency liquidity, trading improved in the second half of the year and core markets benefited from improved distribution and product availability.

**Q** Detailed segmental disclosures appear on pages 88 and 89 of the annual financial statements and operational reviews on pages 38 to 43.

### Statement of financial position

Improved cash generation resulted in a positive net cash position of R431 million at 30 September 2017. Cash generated from operations increased by 43% to R6,1 billion, benefiting primarily from working capital improvements. Capital expenditure during the year totalled R919 million (2016: R945 million).

### Balance sheet positioned for growth

	FY17*	FY16
Cash generated from operations (Rm)	6 056	4 233
Net cash/(debt) (Rm)	431	(2 028)
Net (cash) debt/equity (%)	(3)	13
Net debt/EBITDA*	n/a	0.4x
RONA (%)*	35	30
Net interest cover*	25x	14x
Working capital per R1 of turnover	21,8	23,6

\* From continuing operations.

The strength of the balance sheet facilitates a significant capital expenditure programme of some R5 billion over the next three to five years while maintaining a dividend cover ratio of 2,0 times, based on headline earnings per share. This programme is focused on enhancing the infrastructure behind our core brands, research and development, and the meaningful innovation that is a key differentiator in our competitive industry. In addition, our balance sheet enables us to build a pipeline of opportunities intended to support value-enhancing growth.

### Final dividend

The company has declared an unchanged gross final cash dividend of 702 cents per share for the year ended 30 September 2017. This, together with the interim dividend of 378 cents per share, brings the total dividend for the year to 1 080 cents. This is 1% above last year's total dividend of 1 065 cents.

Shareholders are referred to the accompanying dividend announcement for further details, see page 104. **Q**

### Outlook

The economic outlook for 2018 is muted, with no current signs of a recovery in consumer spending and growth levels likely to remain low. As such, there is little likelihood of volume uplift in the year ahead and competition for market share is expected to intensify.

Having largely been successful in enhancing margins, the group is well positioned to navigate this environment and pursue volume growth. This will be achieved by improving our market shares through enhanced and focused brand support, a re-energised approach to innovation focused on the consumer, and by investing in and growing with our customers. We will continue to focus on driving efficiencies and cost savings to provide the fuel for our growth.

### Acknowledgements

Thank you to our local and international shareholders for your continued investment in our group and to members of the broader investment community for their interest and engagement. I also thank my colleagues in the finance department who constantly strive to ensure the group achieves best practice standards in reporting and disclosure.



**Noel Doyle**

Chief financial officer

28 November 2017

# Operational review

 Full results announcement on web.

## Grains



### SALIENT FEATURES

STRONG INCREASE IN OPERATING MARGIN TO

**17,7%**

REVENUE GROWTH OF

**5%**

OPERATING INCOME UP 18% TO

**R2,4 billion**

Operating margin improved 200 basis points to 17,7% benefiting from favourable procurement positions.

#### Performance

The Grains division delivered 5% revenue growth, and a strong increase in operating income of 18% to R2,4 billion.

Revenue in Milling and Baking rose 4% benefiting from volume growth, partly diluted by price deflation in maize and sorghum in the second half. Operating income rose 16% to R1,9 billion. The wheat-to-bread value chain benefited from good volume growth and increased realisations in the first half. The balance between margin and volumes in the second half required significant focus as competitor activity intensified.

Other Grains (Breakfast, Pasta and Rice) grew revenue 6% to R3,8 billion with strong operating income growth of 24% to R502 million. The stronger rand and improved procurement strategies contributed to margin expansion.

#### Brands

Milling and baking – Albany, Golden Cloud, Ace  
Sorghum beverages and breakfast – King Korn, Mabela, Morvite, Ace Instant, Jungle Oats, Taystee  
Wheat, Oatso Easy, Jungle Energy Crunch, Crunchalots

Rice – Tastic, Aunt Caroline, Surprise, Cresta

Pasta – Fatti's & Moni's



# Consumer Brands – Food



## SALIENT FEATURES

**EXCEPTIONAL PERFORMANCE FROM GROCERIES, WITH OPERATING INCOME UP**

**26%**

**CONSUMER BRANDS – FOOD'S OPERATING MARGIN IMPROVED 60 BASIS POINTS TO**

**11,5%**

Marginal increase in revenue and 7% increase in operating income reflect a number of challenges during the year, but strong performance from Groceries.

### Performance

With the exception of the Groceries business, Consumer Brands – Food faced several challenges during the year, noted below. As a result, revenue increased marginally to R11,1 billion, operating income grew 7% to R1,3 billion and the operating margin improved from 10,9% to 11,5%.

The Groceries business recorded revenue growth of 7% while operating income rose 26% to R589 million. Operating margins improved to 11,8% from 9,9% on improved pricing and cost reductions.

Sales volumes in Snacks and Treats were affected by industrial action, a contracting market with aggressive competition and product rationalisation in the first half. Revenue declined 5% to R2,2 billion, but improved gross margins contributed to operating income rising 2% to R324 million. This business will focus on volume recovery in the year ahead.

Although the Beverages business recovered in the second half after significant challenges in the first half (industrial action, drought-related water restrictions and electricity disruptions), full-year revenue declined 9% and operating income by 8% to R144 million. The outlook for this business is, however, encouraging as the launch of Oros ready-to-drink gains momentum.

In our Value-Added Meat Products business, lower sales volumes reflect higher selling prices and aggressive competition. Revenue rose marginally to R2,2 billion, while operating income dropped 34% despite initiatives to counter significant raw material inflation.

### Brands

**Groceries** – KOO, All Gold, Crosse & Blackwell, Black Cat, Mrs Ball's, Hugo's, Colmans

**Snacks, treats and beverages** – MMMallows, Beacon, Maynards, Allsorts, Jelly Tots, Jungle Energy Bar, Wilsons, Toff-O-Luxe, XXX, Fizzpop, Damascus, Smoothies, Oros, Energade, Hall's, Rose's, Monis, Game

**Value-added meat products** – Enterprise, Renown, Mielie-Kip, Bokkie



**Only the best will do**

# Home, Personal Care and Baby (HPCB)



## SALIENT FEATURES

**STRONG PERFORMANCE FROM HOME CARE BUSINESS – OPERATING INCOME UP 48%**

**GOOD CONTRIBUTION FROM INNOVATION, FUELLING MARGIN GROWTH OF 160BPS**

### Brands

Home, Personal Care and Baby (HPCB) – Purity, Ingram’s Camphor Cream, Doom, Elizabeth Anne’s, Jeyes, Perfect Touch, Dolly Varden, Status, Lemon Lite, Kair, Protein Feed, Airoma, Peaceful Sleep, Bio Classic



**Sustained demand and well-received innovation in pest category contributed to strong Home Care performance.**

### Performance

Divisional performance was boosted by a strong contribution from the Home Care category, with overall revenue increasing 9% to R2,7 billion. The strong focus on cost containment saw operating income rise 17% to R623 million.

Although volumes in the Personal Care category were affected by price increases and constrained consumer spending, revenue was unchanged at R683 million. Operating income increased by 3% to R139 million, benefiting from the strong focus on costs. Innovation, driven mainly by Ingram’s triple glycerine, tissue oil and petroleum jelly, contributed 19% to revenue.

Revenue in Baby Care was up 3% to R888 million, reflecting growth in the pouches, medicinal and toiletries categories, but a decline in jarred baby foods. Operating income was down 2% due to an unfavourable product mix and lower production volumes.

The Home Care category recorded revenue growth of 23% and a 48% improvement in operating income due to sustained demand in the pest category, effective in-store execution and optimal pricing. Innovation contributed 7% to revenue, driven by Doom automatic dispensers and the Peaceful Sleep family range.



# Exports and International



## SALIENT FEATURES

### LOWER REVENUE AND OPERATING INCOME LARGELY DUE TO UNDERPERFORMANCE OF DECIDUOUS FRUIT BUSINESS

### IMPACT OF STRONGER RAND AND DEPRECIATING AFRICAN CURRENCIES

#### Brands

Deciduous fruit (Langeberg & Ashton Foods (LAF)) (South Africa) – Gold Reef, Silverleaf

Tiger Brands International exports the group's branded products into the rest of Africa

Davita Trading (South Africa) (Exports) – Jolly Jus, Benny, Davita

#### Central Africa

Chococam (Cameroon) (74,7%) – Arina, Big Gum, Kola, Mambo, Matinal, Tartina, Tutoux, Chococroc West Africa

Deli Foods (Nigeria) (100%) – Deli, Igloo, Nutribix

A challenging year amid rand strength, depreciating African currencies, and an unfavourable customer mix.

#### Performance

Total divisional revenue declined 5% to R4,2 billion, while operating income reduced 20% to R399 million, primarily due to the Deciduous Fruit business.

Chococam recorded 3% revenue growth in constant currency and new products contributed to a 9% increase in volumes. Rand revenue declined 7% to R821 million, reflecting the strength of that currency. Operating income rose 9% in constant currency, assisted by tight cost management, but dropped 2% on translation due to the stronger rand.

Lower volumes at Deli Foods reflect subdued consumer demand and price increases to recover significant input cost inflation. Together with higher conversion costs, this resulted in a greater operating loss in constant currency offset by the impact of the naira devaluation against the rand.

In the Exports business, revenue rose 7% to R1,7 billion on higher sales into Mozambique and Democratic Republic of the Congo (DRC), and operating income was up 10% to R273 million. The Deciduous Fruit business was affected by rand strengthening and an unfavourable customer mix, with revenue declining 4%. These factors reduced operating income by 91% to R13 million.

# Associates



## Chile: Empresas Carozzi

Empresas Carozzi is a leading branded food business in South America, based in Santiago, Chile. It also has significant manufacturing operations in Lima, Peru and an operation in Argentina.

The company recorded a satisfactory consolidated performance for the review period, with profit similar to the prior year and a 3% increase in its operating margin.

The performance of the businesses in Chile and Peru improved year on year despite the weak economic situation in these countries.

Underlying performance was again affected by the agro-industrial division, which faced lower global prices in tomato paste, fruit purees and apple juice concentrate, and a revaluation of the Chilean peso against the American dollar.

The populist policy changes implemented by the Chilean government continue to impact local consumer demand and business confidence. Similarly, political and economic challenges in Brazil and Venezuela are constraining regional export opportunities.

The hallmarks of Carozzi's success include its exceptional innovation capability, strong number 1 or number 2 brands in the relevant categories, depth of market penetration and efficient manufacturing capability. The business is therefore well placed to continue competing effectively.

## Nigeria: UAC Foods

UAC Foods is a leading manufacturer and marketer of convenience foods in Nigeria. Its brands span a broad spectrum of the country's food market, specifically snacks, dairy products and beverages.

*\* From continuing operations.*

## Associates

Oceana Group (South Africa) (42,1% held)  
Empresas Carozzi (Chile) (24,4% held)  
National Foods Holdings (Zimbabwe) (37,4% held)  
UAC Foods (Nigeria) (49,0% held)

# 15%

## CONTRIBUTION TO HEADLINE EARNINGS\*

(FY16: 25%)





The snacks category comprises Gala sausage roll, the category leader in Nigeria, Funtime cupcakes and coconut chips. The dairy category comprises the Supreme range of ice-cream products. Brands in the beverage category include Swan natural spring water.

Given the weaker Nigerian economy, competitors continue to use aggressive pricing strategies to maintain volume and factory throughput amid suppressed consumer demand.

Cost increases from a weakening Nigerian naira have been significant, and only some of these could be recovered through price increases. Despite this, gross margins were maintained by adjusting the Gala sausage roll price and pack-size architecture.

Challenging macro-economic conditions are likely to persist into FY18, resulting in a muted outlook for this business.

#### **South Africa: Oceana**

Oceana is a leading fishing company, listed on the JSE.

Oceana's financial performance has primarily been impacted by the negative effect of a stronger rand on export and foreign revenues, lower global fishmeal and oil prices, and slowing South African consumer spend on non-staple foods. The decrease in operating profit was exacerbated by the adverse movement in net foreign exchange, from a gain of R73 million in 2016 to a loss of R61 million in the current year. These movements were primarily due to the effects of forward exchange contracts to cover the cost of imported frozen fish from the canned fish business. In addition, improvements in the cost base due to group-wide procurement efficiencies have been offset by reduced pilchard landings, and lower Commercial Cold Storage (CCS) occupancies in Gauteng. Prior-year operating profit also benefited

from proceeds on the disposal of Lamberts Bay Foods and the CCS fruit business.

Headline earnings for the year ended 30 September 2017 decreased by 44% after a 42% reduction in operating profit.

#### **Zimbabwe: National Food Holdings Limited**

National Foods is a leading branded food manufacturing company in Zimbabwe. The country continues to be impacted by macro-economic weaknesses, particularly foreign currency shortages that create challenges for importers in settling foreign creditors. National Foods was largely able to manage these challenges during the year with the assistance of the Reserve Bank, as it was accorded priority as a producer of basic commodities.

Volume performance and profitability were affected by a very poor result from the maize division where volumes declined by 39% on last year after more subsidised maize was provided to consumers by the government following the disappointing 2015/16 harvest. Excluding maize, the group grew volumes by over 7%.

During the year, National Foods disposed of its depot network to a third party, which will convert these stores to fully fledged wholesale outlets. This will allow the group to focus on growing its core light manufacturing activities.

The outlook for the Zimbabwean economy is increasingly challenging. Foreign currency constraints are expected to persist for some time making the operating environment even more difficult.

# Sustainability review

Against national and global guidelines, we are steadily improving the way we manage and report the key elements of sustainability as an integrated aspect of our business strategy.

This section has been prepared against the requirements of the FTSE4Good index, IIRC framework and King IV, as well as governance guidelines in the JSE Listings Requirements. Tiger Brands fully supports the principles of the United Nations Global Compact which recognise the positive contribution business can make to a more sustainable planet.

In developing an integrated sustainability strategy, we are concentrating on the constituent pillars that will enable us to reach our goal of creating shared value for all stakeholders:

## Key pillars

Environmental stewardship	Social responsibility	Economic sustainability
	<b>Plan</b>	
<ul style="list-style-type: none"> <li>Corporate communications – internal and external</li> </ul>	Build trust, reputation and legitimacy with all our stakeholders by leveraging opportunities to build relationship capital through: <ul style="list-style-type: none"> <li>One source of truth for Tiger Brands’ messages</li> <li>Public relations</li> <li>Media (traditional and social)</li> <li>Consistent communication</li> <li>Portfolio communication</li> </ul>	
<ul style="list-style-type: none"> <li>Government relations and stakeholder engagement</li> </ul>	Constructively engage with stakeholders to effectively manage reputational risk and build long-term value, using: <ul style="list-style-type: none"> <li>Consistent approach to engagement throughout Tiger Brands</li> <li>Mechanism to anticipate risk and opportunities</li> <li>Coordinated framework for stakeholder management</li> <li>Leadership visibility in stakeholder engagement</li> <li>Value-based stakeholder engagement</li> <li>Stakeholder-focused not compliance-based engagement</li> </ul>	
<ul style="list-style-type: none"> <li>Sustainable socio-economic development</li> </ul>	Become an acknowledged leader in inclusive economic growth and social impact through: <ul style="list-style-type: none"> <li>Moving beyond compliance</li> <li>Programmes aligned to our operations</li> <li>Food security and nutrition</li> <li>Green economy</li> <li>Transformation of enterprise supplier development</li> <li>Tiger Brands Foundation</li> <li>Our employees as our ambassadors</li> </ul>	
<ul style="list-style-type: none"> <li>Comply with BBBEE regulations in promoting inclusive economic development</li> </ul>	With compliance as a minimum target, entrench Tiger Brands as a responsible corporate citizen that contributes meaningfully to society and creates shared value	

# Our people

The people in our organisation are a key competitive differentiator in our markets – the talent we have and how we engage and lead them (individually and collectively) has a direct impact on our business performance.

## Highlights

227 leaders attended development programmes

Invested R57 million or 2,08% of total payroll on training

## Challenge

Protracted labour disruptions at two sites

The importance of our people is evident throughout our strategy – from being part of our vision (recognised as a great place to work) to the first pillar of our mission (unleash the power of our people) and our values (we value our people and treat them with dignity).

### People strategy

Strengthen Tiger Brands' competitive position by attracting and retaining the right people with the right capabilities, enabled by inspiring leaders in a great place to work.

The role of the human resources (HR) function is to ensure that Tiger Brands has appropriate people in the right roles who are fully engaged to act on our strategy and deliver high quality to our customers every day.

We focus on the acquisition, management and development of our employees and deliver the reward and recognition models that enhance individual and business performance.

We partner with the leaders of our businesses to create and execute the function or business area's specific people agenda and to support them in becoming engaging and inspiring role models for our employees.

We shape organisational effectiveness and employee engagement across all levels, aiming to sustain strong

relationships with bargaining councils/unions and improve employee health and wellness across the company.

We champion the organisational values and behaviours that we believe will deliver our strategy and contribute to our purpose to nourish and nurture more lives every day.

We administer employee information in the most efficient way and provide business leadership with people-related reports and analytics to ensure decision-making based on facts.

Our operating model and, in turn, the HR function are fundamental enablers to unleashing the power of our people now and in the future. Accordingly, the HR function has been completely transformed and now comprises three core areas:

- The HR business partner network: strategic HR partners in each business area who lead all related activities and are accountable for executing the HR agenda in a way that is relevant and practical to that business
- The HR shared service centre executes all transactional activities that can be delivered remotely, creating efficiency and consistency in how we transact on people-related activities across the group
- The centres of excellence (CoE) analyse the business and design tools, processes and solutions that are benchmarked and relevant to respond to challenges or opportunities encountered by our businesses, with the sole intent of driving the Tiger Brands people strategy.



## Our people continued

We are committed to ensuring we are able to attract and retain the best talent – people who are engaged and committed to sustainably delivering impressive business performance and ensuring Tiger Brands is recognised internally and externally as a great place to work.

### Our metrics: how we measure our success

To achieve our strategic objectives, we must track and monitor our performance, summarised below:

Metric	Why?
Top employer rating	Ensuring we position ourselves as a desirable employer to attract and retain the best talent
% of employee pulse score	Ensuring our employees are engaged and the environment is conducive to delivering exceptional performance
BBBEE level (management/skills development/employment equity)	Ensuring processes are in place to meet agreed target levels for a diverse workforce while removing all forms of discrimination and providing employment opportunities for disadvantaged individuals
Attrition	Ensuring that we retain our best people and reducing business continuity risk related to high turnover
Time to fill positions	Ensuring our company has the critical skills and sufficient capacity available when needed
Promotions vs external hires	Ensuring we provide growth and development opportunities for our employees while allowing sufficient external talent inflow to facilitate innovation and growth
Overall performance rating improvement	Ensuring organisational practices, HR activities and leadership guide our people to improved individual performance that will strengthen our business
HR effectiveness	Ensuring HR activities address corporate priorities and lead to the desired results

### Workforce

#### Workforce profile

	African	Indian	Coloured	White	Disabled	Permanent	Temporary	Total	Outside of South Africa		Total staff
									Permanent	Temporary	
2017	8 485	701	1 083	780	37	11 049	5 246	16 295	1 426	364	18 085
2016	8 437	720	1 120	831	72	11 109	3 689	14 798	2 012	4 664	21 474
2015	7 648	698	1 189	844	53	10 379	4 222	14 601	3 841	2 149	20 591
2014	6 536	726	1 153	838	69	9 253	4 537	13 790	3 673	1 671	19 134
2013	6 178	739	1 192	881	68	8 990	1 500	10 490	3 770	788	15 048

Our businesses use seasonal and casual workers for expected increases in production, such as processing ripe crops. We also encounter unanticipated spikes in demand from large orders or other less predictable events. To meet these customer requirements, we hire temporary staff. In 2017, our temporary workforce represented 31% of our staff complement (2016: 39%).

While no formal commitment to local hiring is in place, in practice the vast majority of our workers are drawn from areas around our operations.

Key indicators	2017	2016	2015
Employee headcount*	18 085	21 474	20 591
Female employees	3 532	3 910	3 696
Learnership participants	417	324	264
Skills development (Rm)	56,7	66,8	57,3
Total training as % of payroll	2,08	2,05	1,00
Overall staff turnover rate	9,1	7,1	7,9
Retention rate of key talent (target 80%)	91%	91%	87%

\* Includes international operations but excludes seasonal and casual workers.

### Labour relations

To ensure a constructive, safe and fair working environment for all our people, we work closely with employee bargaining units to ensure everyone has a voice in matters that affect them daily.

Regrettably, during the year we recorded protracted labour disruptions at two units (beverages, and snacks and treats). Although this affected results for the year through lost production, our focus is on restoring these relationships and addressing the issues raised where possible, supported by clear and timely communication.

Our employees have full freedom of association, with over 55% belonging to unions (including three major industry unions). Site management and shop stewards meet monthly.

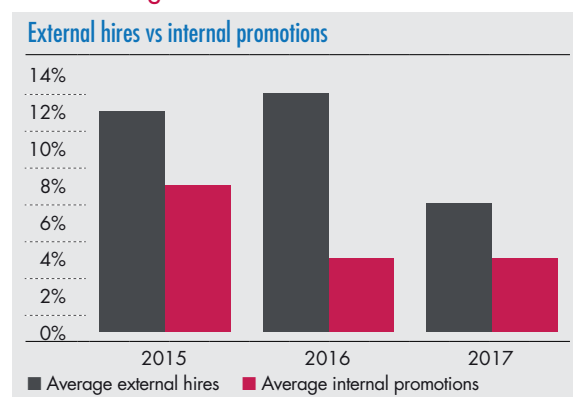
At each site, unions are represented on forums that monitor employment equity, skills development and other issues requiring management's attention.

Clear communication between staff and management helps ensure disputes are resolved and grievances dealt with appropriately by all parties. Our disciplinary code is a guideline for all managers and employees to:

- Create a fair and equitable structure for dealing with misconduct
- Encourage timely corrective action if an employee's behaviour or conduct is unsatisfactory or unacceptable.

Tiger Brands complies with South African legislation covering Labour Relations Act and basic conditions of employment, the International Labour Organisation conventions, and relevant regulations in operating areas in Africa. In 2017, there were no instances of non-compliance with labour standards.

### Talent management



We are building talent sustainably by concentrating on internal appointments and promotions while increasing our investment in training and development to build capability and strengthen the talent pipeline. Regular talent reviews ensure high-potential individuals are identified, development plans are agreed, and progress against agreed targets is tracked. These employees are commensurately rewarded.

Key initiatives include a focused management trainee and leadership development programme. In FY17, seven graduates joined Tiger Brands as trainees in various disciplines.

Our aim is to deliver qualified talent to the business ahead of demand, preferably by finding the right people with the right capabilities within the group.

# Our people continued

## Leadership development

Our aim is to have leaders with the right capabilities to inspire people to deliver exceptional performance.

To ensure we have leaders who can drive our strategy, we introduced a new leadership competency model two years ago aimed at developing great leaders who are committed to creating a great place to work while leading our people through challenges. The new operating model will require a significant change in behaviour that will, in turn, require high levels of collaboration, influencing both the capability and ability to lead through ambiguity.

Leaders are assessed against this framework to ensure we set the correct parameters for development programmes. Four flagship leadership programmes were launched in 2016 and, in total, 14 flagship programmes were run in 2016 and 2017, attended by 227 leaders. We are confident the benefit of these programmes and other initiatives will soon be evident.

## High-performance and engaging culture

This pillar of our strategy aims for high performance through careful performance management, paired with strong reward and recognition structures. We believe this will drive an engaged and committed workforce and contribute to our success. Similar to our leadership development initiatives, it is too early to comment on measurable outcomes.

## Developing skills and capability

Developing the full potential of all employees is a prerequisite to creating a competitive advantage. Our people have the opportunity to continually develop themselves through workplace qualifications and shorter, function-specific programmes. Related objectives and targets are detailed in our statutory workplace skills plan and annual training report.

In 2017, we invested R56,7 million (2016: R66,8 million) or 2,08% of total payroll on in-house training in South Africa, through the Tiger Brands Academy, as well as learnerships.

## Tiger Brands Academy

This internal facility has separate academies for the disciplines of supply chain, leadership, finance, customer, human resources and marketing. It also offers learnerships in manufacturing, logistics, supply chain and management.

To ensure we develop the right strategic skills, we recently revised the course content of two key disciplines:

- **Supply chain:** In 2016, the required skills were profiled and harmonised across the group and new learning plans and development programmes rolled out.

Following the success of the manufacturing excellence programme for unit managers in 2016, a similar programme for production managers was launched and 41 production managers will complete this 12-month programme in early 2018.

In 2016 we launched programmes for employees to be certified in planning and procurement. To date, six employees have been certified and 75 enrolled.

- **Shopfloor development project:** the first learnerships were completed in 2017 and 41 learners graduated (33 with an NQF 3 certificate in food and beverage packaging and eight with an NQF 3 certificate in stores and warehousing). Another seven sites launched formal learnerships in 2017, with these learners due to complete in 2018. Three sites completed assessments in 2017, and will launch learnerships in early FY18. At other targeted sites, assessments are under way before implementing the next phase of learning plans.
- **Customer:** After the final year of our School of Mastery programme in 2016, 27 learners were awarded national qualifications in FY17.

### Workplace experience project

Unemployment is a significant challenge in South Africa, particularly among the country's youth. Tiger Brands creates opportunities by providing workplace experience for selected candidates in food technology, engineering, marketing, production and operations. These students become a feeder pool for the graduate programme and other entry-level appointments: 469 people have completed the programme since 2008 and 125 have been employed by the business.

### External programmes

We provide bursaries for the children of qualifying black employees. In 2017, we spent R4,7 million on bursaries for 198 students (2016: R3,5 million and 291 respectively). A total of 343 students have graduated from tertiary institutions since 2007 with the trust's support, and 264 graduated in 2016.

We provided bursaries for seven (2016: seven) engineering students. After graduating, they are incorporated into our talent pool. This year, our first graduates join Tiger Brands in the management trainee programme.

### Organisational development and effectiveness

Tiger Brands is striving to create an organisational environment that enables performance, motivating employees to contribute to the group's success. The key focus over the year has been on designing the new operating model and the organisational structure required to execute the model. Understanding that successfully implementing both the model and organisational structure means new ways of working, a carefully considered change-management programme is helping our people adjust.

# Health and safety

The safety of our workers, visitors and the public is key to our long-term success. We strive to achieve our goal of zero harm by managing our activities to eliminate incidents, minimise risk and promote excellent performance.

## Highlight

90% year-on-year reduction in safety incidents

## Challenge

Route to market security

We believe a safe and healthy workplace is both the fundamental right of every person and a business imperative.

Over three years, there has been a significant and sustained improvement in the safety performance of contractors undertaking civil and construction work at Tiger Brands' sites after implementing our enhanced contract management guidelines. Clear communication upfront ensures service providers and their leadership teams are fully aligned with our safety policy and guidelines. Instead of acting as enforcers, we facilitate by providing assistance and support to service providers, and creating the space for effective safety collaboration and learning. This engagement takes place at both relationship and contractual levels.

Analysing lost-time injuries at our manufacturing units highlights that behaviour-based incidents are our key challenge. We are focused on strengthening the organisational safety culture to change mindsets and habits, and eliminate risky behaviours.

Our group health and safety policy stipulates our responsibility for maintaining productive workplaces by minimising the risk of accidents, injury and exposure to health hazards for our own people, associates and contractors. This responsibility is defined in operating standards throughout the group. Our manufacturing facilities follow the requirements and principles of the internationally recognised Occupational Health and Safety Assessment Series (OHSAS) 18001 standard as the framework of an effective system.

The group chief executive officer is ultimately responsible for the safety of employees. He reports to the risk and sustainability committee as well as the audit committee on these matters. Dedicated committees, led by supply chain executives and site management, are responsible for implementing health and safety measures at manufacturing sites.

Rigorous operational controls manage known risks and align with international best practice. An accredited independent risk management company assesses implementation and adherence, and provides third-party verification. Any identified non-conformance is assessed and risk mitigation implemented. In addition, compliance audits are conducted annually – spanning applicable laws and regulations as well as the group's occupational health and safety guidelines – at each manufacturing operation.



### Training

Key employees are trained and coached on the job to build the required levels of safety expertise. Programmes run by internal or external safety, health and environment (SHE) specialists are focused on building capability development in this field. Suitable programmes have been agreed for employees, supervisors, SHE coordinators, management and internal audit teams.

To supplement formal training, we have self-auditing and peer-auditing processes to advance our safety programme.

### Safety performance

With a renewed focus on safety, the lost-time injury frequency rate (LTIFR) again declined and no operation recorded an unplanned shutdown for health and safety issues in the reporting period.

Over the years the group has made significant progress in improving safety. LTIFR has declined from 0,67 in FY13 to 0,30 in FY17 while fatalities have declined from two in FY13 to zero in FY17. Similarly, lost-time injuries have declined from 135 to 123.

The group LTIFR target is 0,25 for FY18. In FY17, 29% of our manufacturing sites achieved zero LTIFR, while 43% beat their targets (FY16: 31% and 42% respectively).

Focus in FY18 will be on underperforming sites to ensure their safety performance improves in line with the rest of the group.

### Route to market security

This remains a focus area for our industry. Pleasingly, in FY17, we recorded zero fatalities (FY16: four). In collaboration with other companies and provincial authorities, we share best practice and build sustainable solutions for route risk management. We continue to emphasise route risk assessments and comprehensive defensive driver training. This ensures our drivers are aware of identifiable risks they may encounter and understand how to avoid collisions or incidents.

### Activities to improve health and safety

Management commitment and leadership continue to make a difference in achieving sustainable improvements in preventing injury and illness. Key initiatives in FY17 include:

- Identifying the root cause of safety incidents in a disciplined process
- Further integrating safety into business processes, with line management held personally responsible for safety
- Including line employees in safety incident investigations and facilitating their participation on audit teams and safety awareness campaigns
- Relaunching the SHE pillar in line with our manufacturing excellence customs and practices journey
- Safety skills development programmes and role-based competence matrixes launched for our business units.

### Employee wellness

Our employee wellness support programme offers a 24-hour telephonic counselling service, and face-to-face professional counselling. Users can access psychologists, social workers, dieticians, biokineticists, and financial and legal advisers.

Our on-site clinic services include occupational health support, and limited primary healthcare, free to all permanent and temporary employees on site. Our clinic in Ashton (Western Cape, South Africa) is also open to the community. Contracted services include an HIV/Aids management programme and a free advisory and counselling service for all permanent and temporary employees.

We also offer all South African employees voluntary membership to our in-house medical scheme that offers cost-effective comprehensive health cover.

# Transformation

In South Africa, we promote social transformation in the interest of nation building, most notably by advancing broad-based black economic empowerment (BBBEE) initiatives.

## Highlight

Significant progress with smallholder producer programme (case study, page 54) 

## Challenge

Managing the impact of new sector-specific BEE codes

The revised agri-BEE codes against which Tiger Brands will be assessed in future were passed by parliament on 1 November 2017. These codes will have to be gazetted before they are officially legislated. The current Tiger Brands BBBEE certificate is valid until December 2018.

As the revised codes are still to be legislated, the company was assessed against the old codes and retained its level 3 rating for the year as shown below.

We will begin work to migrate the group's verification to the new agri-BEE codes in preparation for impending legislation. Our internal assessment indicates that the group will temporarily drop to level 7 (discounted to level 8) given the new minimum requirements for priority elements (ownership, skills development, enterprise and supplier development).

### Tiger Brands BBBEE scorecard

	Available points 2017*	2017	2016	2015
Ownership	20	19,7	17,6	20,3
Management control	10	5,8	5,0	7,6
Employment equity	10	5,8	5,8	5,6
Skills development	20	17,0	15,7	12,9
Preferential procurement	20	16,6	18,7	19,2
Enterprise development	10	2,3	3,4	7,0
Socio-economic development	10	10,0	10,0	10,0
Total	100	77,0	76,1	82,6
Level		3	3	3

\* Tiger Brands is measured against agriculture sector codes gazetted on 28 December 2012.

BBBEE ownership	%
Brimstone (a black empowerment investment company)	1,0
Tiger Brands Foundation	5,0
Employees Black Managers Trusts (BMT I and BMT II)	2,2
General staff trust	0,1
Thusani trusts (beneficiaries are children of black employees)	2,0
Effective black ownership (using the exclusion and modified flow-through principle)	35,3
Total black women	6,3

### Preferential procurement

In our supply chain, we monitor environmental, social and governance performance through a questionnaire distributed annually to our highest-risk suppliers. The results are collaboratively reviewed by the procurement and safety, health and environment teams. Our procurement policy now includes preferential procurement commitments. As part of our execution strategy for FY18, our preferential procurement policy will be reviewed and updated in line with the new BBBEE codes.

Our ambition to play a leading role in developing the agriculture sector remains a key priority, with R73 million of fresh produce sourced from black emerging farmers in FY17. Through our partnership with the Department of Agriculture, Forestry and Fisheries, we have earmarked R30 million for enterprise and supplier development, focused primarily on emerging farmers.

Compliance under the revised BBBEE codes is expected to be a longer-term process as suppliers implement the required steps to improve their scorecard levels. Our procurement team is working closely with suppliers to understand their scorecard trajectories and inform our sourcing strategies.

We remain focused on supporting black-owned and small businesses, spending R4,3 billion and R1,9 billion in these categories during the year. We regard this as a business imperative that will contribute to a vibrant and competitive supply landscape in South Africa in the longer term. Our BBBEE strategy roadmap is being reviewed against the new agri-BBBEE codes which are likely to be legislated in 2018.

### Enterprise and supplier development

We have projects in place across our value chain, focusing on growing small businesses that we can support over the longer term. In FY17, we spent R15,0 million on enterprise and supplier development, exceeding planned expenditure for the period. As example, we mentor farmers producing tomatoes for the group in Limpopo (case study, page 54) and have extended this to other commodities such as wheat.

### Creating shared value

Our purpose is to nourish and nurture more lives every day. How we bring this purpose to life for our employees, for our communities and for the planet illustrates how we create shared value for all stakeholders by generating sustainable economic value while addressing society's needs.

Tiger Brands is a large consumer of agricultural products – some 2 million tons per annum, with 65% bought locally. In the past, only 23 000 tons of agricultural produce was procured from smallholder farmers, or just 1% of produce sourced. We have focused on redesigning our procurement and supply value chain to ensure a sustainable portion is opened up to farmers who have not previously participated.

We have initiated a programme to transform our supply chain and increase the volume of produce purchased from local smallholder producers. As a result, new jobs are being created and sustained by our emerging suppliers backed by the security of offtake agreements with Tiger Brands (case study, page 54).

We have already made significant progress and will build on these early successes to expand the programme.

The intensive support programme in Limpopo for tomato farmers is proving successful under the mentorship of Technoserve, supported by our Groceries business. This will provide a platform for Tiger Brands to extend similar programmes to other provinces and crops in future, using a combination of own and external funding.

## CASE STUDY

Smallholder producer programme

25 000 tons,  
92 farmers

### Limpopo (Tiger Brands 2017 investment R9,3m; total R14,6m)

- Tomatoes – 70 farmers producing 20 000 tons (revenue R23m)
- 37 farmers, now stable producers, managed directly by Tiger Brands
- Special programme for 30 farmers including training, mentoring and agricultural support in place with Technoserve

- On track to increase production by 5 000 tons in 2017

- Documentary being produced to track the progress from land preparation to planting, harvesting, pulping and final product on shelf

- Beans – 14 farmers; 600 tons contracted for 2018 (new farmers introduced through mentorship programme)

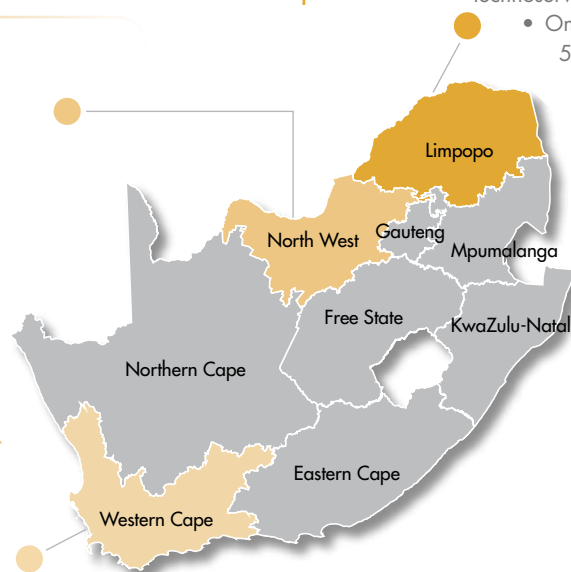
- Wheat – 600 tons contracted for winter production with offtake agreements from Tiger Brands

### North West (2018)

- Sorghum (Potchefstroom)
- Maize (Gauteng)

### Western Cape

- Butternuts and figs – 4 farmers, 500 tons
- Pears, apricots and peaches – 22 farmers, 3 000 tons
- Tomatoes – 5 farmers, 660 tons



## Background to the programme

Technoserve completed an in-depth study of our manufacturing footprint, crop requirements and the availability of emerging farmers who could meet these requirements. Key criteria included quality specifications, farmer ability and economical radius to the factory. Farmers who met these requirements were then formally evaluated.

The programme spans vegetables over three 18-month phases, focusing on Limpopo, Highveld/Gauteng and North West provinces. As a parallel track, grain crops (maize, sorghum and soya) are being explored, but timing will depend on specific requirements.

Through this programme, our vision is to increase smallholder production from 23 000 tons to 35 000 tons by 2021. Revenue paid to these producers is expected to increase from about R23 million in FY18 to R100 million by 2021.

### Key highlights

Phase 1 of the smallholder farmer programme focuses on tomatoes. The 30 participating farmers are equally split between men and women, and five are classified as youth (under 35). Salient features to date include:

- All farmers trained in Technoserve best agronomy practice model covering business economics, land preparation and planting practices, fertilisation, irrigation, pest and disease control. As a result, yields almost doubled to 58 tons per hectare
- Tiger Brands allocated R9,3 million to fund this technical support as part of our commitment to enterprise and supplier development
- 100 hectares under production, with over 5 800 tons delivered to Tiger Brands (total sales revenue of over R9 million, with almost R3 million accruing to farmers after deducting input costs prefunded by Tiger Brands. Some 86% of input loans are currently being recovered)
- Selling to other markets generated a further R1 million for the farmers
- 191 new permanent jobs and 500 seasonal jobs created.

### Winter wheat cluster

The initial plan with the Marble Hall/Burgersfort farmers was to produce beans on 500 hectares. Due to challenges with input funding, we missed the planting season for beans and postponed this programme to January 2018.

To keep the farmers engaged, they were encouraged to experiment with a winter wheat crop on 73 hectares. Production is on track and harvesting was completed in November in time to prepare land for bean production which will start in December. Salient features include:

- Five businesses with a total of 18 members (14 men and four women)
- Five key members in each enterprise completed Technoserve training modules.



### The tomato value chain explained



### Looking forward

- **Tomatoes:** The project with the Nwanedi farmers will continue next season, anticipating that our supply chain will increase volumes from this source if group quality standards are met. The farmers will continue to receive technical support, although this will taper off so that they are able to manage with reduced technical and input support by the third season. We anticipate planting 300 hectares which will yield 18 000 tons with a value of R30 million (depending on offtake agreements with our supply chain).
- **Beans (Marble Hall/Burgersfort/Veeplaas):** Production preparations will start in December and seedlings will be planted in January 2018. Seeds have already been bought and are being stored. Some 500 hectares of beans will be planted with an expected yield of 1 250 tons and revenue of R14 million.



# Our communities

Our success and our sustainability are directly linked to the well-being of our communities. They are the source of our most valuable asset – our employees – and support our businesses by buying our products.

## Highlights

Committed R35 million (up from R23 million in FY16) to socio-economic development (SED) initiatives

First annual Tiger Brands SED partner workshop, hosting all our NGO partners across South Africa

Launch of the Tiger Brands household and community food garden initiative

## Challenge

Gaps in the existing SED monitoring and evaluation framework

### Key indicators

	2017 Rm	2016 Rm	2015 Rm	2014 Rm
Total SED spend	35,0	23,0	24,2	24,0
Tiger Brands Foundation spend	23,9*	19,0*	15,3	22,4
Beneficiaries reached	104 215	100 977	118 443	107 000

\* For the foundation's financial year to end-February.

### Our approach

We honour our responsibility to contribute to the welfare of our communities through our socio-economic development (SED) strategy.

To ensure this strategy is integrated into our business objectives and focused on real – and changing – community needs, we critically reviewed our past approach to corporate social investment (CSI) to determine our future actions, illustrated on the next page. We also incorporated insights from the 2017 stakeholder survey (page 26). 

## Tiger Brands socio-economic development strategy: 2017 and beyond

### Where we've come from

- Over ten years of CSI
- Distributing food parcels
- Food donations

### What has guided us

- BBBEE codes of good practice for socio-economic development
- National Development Plan (NDP)
- UN Sustainable Development Goals (SDGs) – particularly no poverty, no hunger, good jobs and economic growth
- King IV



### Our approach in action

While food security remains our overarching goal, our core SED programmes address the key goals of South Africa's national development plan (NDP) and UN Sustainable Development Goals.

#### Food and nutrition support programme

- We provide nutritionally balanced food parcels to the most in-need beneficiaries across South Africa through partnerships with food-focused NGOs and universities
- Through these partners, over 30 000 community members are reached monthly
- Supported communities include Soweto (Gauteng), Katlehong (Gauteng), Delmas (Mpumalanga), Plettenberg Bay (Western Cape), Stellenbosch (Western Cape), Ikageng (North West), Port Elizabeth (Eastern Cape), Potchefstroom (North West), Claremont (KwaZulu-Natal), Mohlakeng (Gauteng), Cape Town (Western Cape), Nwmitwa (Limpopo) and Braamfontein (Gauteng)
- Supported partners include four universities: Nelson Mandela University, Wits, Northwest University and University of the Western Cape.

### CASE STUDY

#### University nutrition support programme

For thousands of students across South Africa, meals are a daily challenge. In response, Tiger Brands launched the university nutrition support programme in 2017, partnering with tertiary institutions to provide much-needed nutritional support to struggling students. In June 2017, the University of the Western Cape (UWC) became our fourth partner.

Almost 80% of students at UWC depend on some form of financial assistance, and an estimated 1 500 students are unsure about where their daily meals will come from. These students may be living on campus, in nearby community housing or travelling in daily from surrounding communities.

The Tiger Brands programme forms part of UWC's new student support centre, and will be driven by the leaders of the student representative council (SRC), who plan to augment our food parcels with student-led food gardens.

Tiger Brands has committed to providing nutrient-dense and fortified student food hampers to hundreds of students at UWC, Wits, Nelson Mandela University and North-West University. We are also providing support to establish and maintain food gardens at all campuses.

# Our communities continued

## Customer, stakeholder and brand initiatives

Tiger Brands implements customer and brand-aligned initiatives with a meaningful social impact, including ad hoc stakeholder support during crises:

- Initiatives included support to fire victims in Hout Bay and the Western Cape disasters, as well as support for the patients of Life Esidimeni Hospitals during their relocation
- The Department of Agriculture, Forestry and Fisheries (DAFF) remains a supported government entity, as does the Nelson Mandela Children's Hospital (we contributed R5 million to the hospital's capital campaign)
- The successful roll out of the Spar "Home-cooked Happiness" campaign, through which 1 000 Wonderbags (non-electric portable slow cookers) were distributed to communities and schools across South Africa
- Collaborations with Albany and Status reached over 1 000 children through the "Sarmies for Smiles" campaign; and two entrepreneurs were trained and mentored in the Status "Hustle Den" promotion
- We continue to support the Shoprite Soup Kitchen initiative across the country.

## Beneficiary capacity building

We focus on targeted community-based training in nutrition, food handling, health, food security and sustainability. Key initiatives during the year included:

- In February 2017, we hosted all our NGO partners from across South Africa at the first annual Tiger Brands socio-economic development partner workshop. We shared our strategy for the next few years and, along with experts from different fields, engaged our partners in discussions and workshops on enterprise development, nutrition education, eco-friendly cooking, sustainable food gardening, and NGO sustainability and financial management
- We partnered with the Department of Basic Education and the Tiger Brands Foundation to advance nutrition education in selected schools. Through this partnership, nutrition education placemats were rolled out to 25 000 learners in schools across the country. In August 2017, this programme was expanded to include accredited food-handler training for in-school kitchen staff. In partnership with the Tiger Brands Foundation, 36 food handlers, four programme coordinators, three school officials and four district monitors completed accredited training.

## Community and household food-garden initiative

Through partnerships with Food and Trees for Africa and Wits Siyakhana initiative, we provide training, support and mentorship to establish sustainable community and household food gardens

- 8 communities across South Africa participating in the Trees for Homes and Food for Homes programme
- 4 universities starting campus food gardens linked to their facilities
- 174 community members trained in permaculture food gardening
- 20 community educators trained about tree planting and climate change
- 500 fruit trees and 500 indigenous trees planted in Mohlakeng, with 80 shade and fruit trees planted across the eight community food gardens.



## Community enterprise development



This pillar of our strategy provides training, support and mentorship to identify and establish viable community enterprises for food security and a green economy.

Our partnership in enterprise development with the NGO Mosaic Community Development in Ikageng focuses on supporting Mosaic's community bakery, which creates jobs for the foster mothers of children who rely on Tiger Brands' monthly food parcels.

## Employee volunteers

We provide opportunities for our people to participate in social causes that are close to their hearts and in the communities in which they live and work. In the review period, these included:

- Santa's Shoebox Campaign
- Donating toiletries to Life Esidimeni for the mental health patient relocation programme
- Clothing and blanket collections for Western Cape disaster victims
- Country-wide Mandela Day initiatives.

## FY17 snapshot

In the review period, we committed 1,5% of net profit after tax, or R35 million, to community development, achieving several milestones:

- Over 78 000 high-quality, nutrient dense and fortified food packages distributed (FY16: 13 200)
- 38 000 beneficiaries reached monthly via the Tiger Brands food and nutrition support programme (FY16: 41 000)
- Over 10 000 beneficiaries in crisis supported through our CSI and employee volunteerism programmes
- 25 000 learners received nutrition education material
- 194 community members trained in food gardening and community education.

2017 investments	Provinces	Nature of support	R000
Food and nutrition support programme	Gauteng, Mpumalanga, Western Cape, KZN, Limpopo, Eastern Cape, North West	Food donations	25 543
Customer, stakeholder and brand CSI	All provinces	Food and supplies	6 726
Employee volunteerism	All provinces	Food and supplies	85
Beneficiary capacity building, household and community food garden initiative	All provinces	Capacity building, training, garden infrastructure and supplies	1 400
Site-specific community support	Western Cape	Training and supplies	1 760
Total			35 514

## Our communities continued

### Commitments for FY18

In the year ahead, we plan to accelerate the move from philanthropy to sustainable community investment. While we will continue to provide food packages, nutrition support is now backed by greater focus on creating food-secure communities with better health through:

- Nutrition education, food-handling training, health training and food security
- Training and mentorship on establishing and maintaining household and community food gardens
- Training, support and mentorship in identifying and establishing viable community enterprises concentrating on food security and the green economy
- Establishing a Tigers For Good network of champions across sites and operations

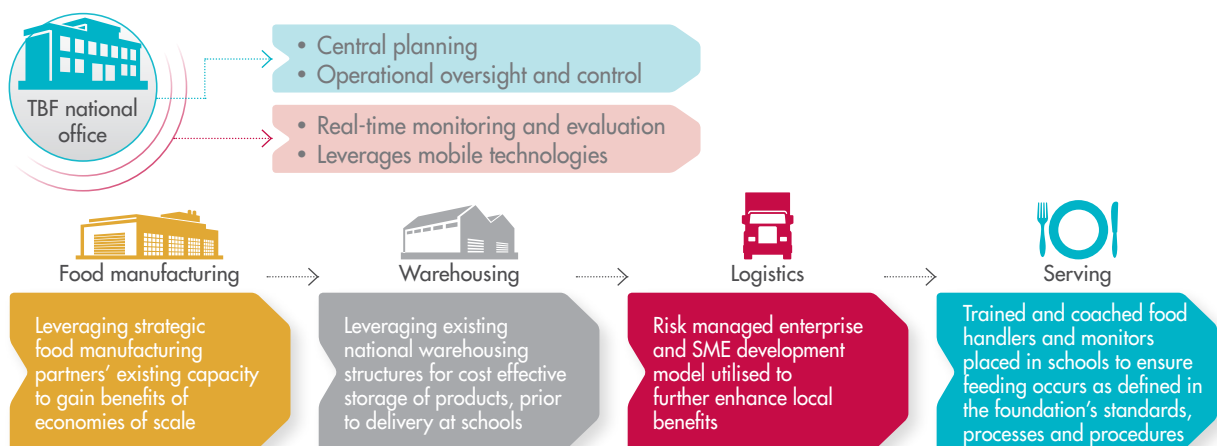
- Tracking the impact of initiatives by implementing a robust monitoring and evaluation system, supported by appropriate NGO partner training.

### Tiger Brands Foundation

The Tiger Brands Foundation was established in 2010 to enhance our community impact and assist a broader range of underprivileged people in South Africa. It is managed by an independent board of trustees which establishes the criteria and procedures governing resource allocation.

Through the foundation, we develop partnerships with disadvantaged communities with whom we interact most.

### Our operating model



The foundation implemented the first in-school breakfast feeding programme in 2011 in partnership with the Department of Basic Education's national school nutrition programme (NSNP). From six primary schools in Alexandra, this has expanded to over 90 schools in all provinces, providing the essential breakfast meal to over 63 600 learners. To date, over 51 million breakfasts have been served to our country's most vulnerable learners.

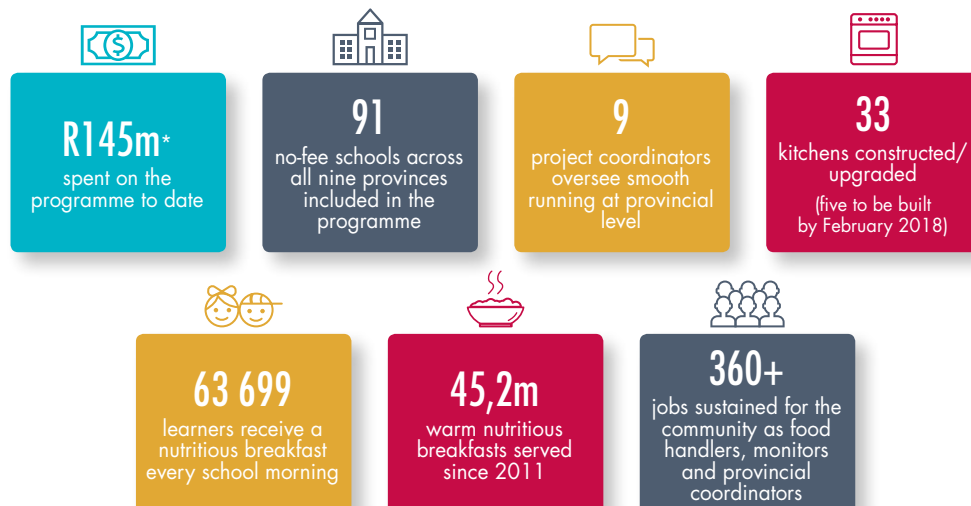
The programme is funded by a "trickle dividend" equal to 30% of dividends received from the foundation's 5% shareholding in Tiger Brands.

Practically, the foundation will build the capabilities to support its objectives. These include effective monitoring and evaluation (primarily by formally assessing social return on investment, and disclosing results in FY18), developing packaged and replicable solutions, and enhancing the capacity of key staff.



## Flagship: Breakfast programme

### WE'VE COME A LONG WAY SINCE 2011



\* Approximately 2011 – 2017

The foundation partners with multiple stakeholders:

- The Department of Basic Education at national, provincial and local level
- Academic and research institutions (such as University of Johannesburg – Centre for Social Development in Africa)
- Beneficiary schools, parents and community leaders
- Community-based agencies (food delivery partners)
- Funders/donors investing in food-security and school-nutrition programmes
- Tiger Brands group, public and shareholders.

### Enhancing capacity

The foundation introduced a food-handlers skills training programme accredited by the South African Qualifications Authority (SAQA) and welcomed by the Department of Basic Education. It was piloted in the Free State province with the support of the provincial education department, and aims to:

- Empower food handlers with appropriate knowledge about food preparation, safety and hygiene
- Extend the scope of SAQA-accredited training to give volunteer food handlers skills that will enhance their employability or opportunities for entrepreneurship after completing the nutrition programme
- Incorporate components of the national schools nutrition programme to ensure uniform food-preparation safety and hygiene standards.

Although food handlers are employed by the Department of Basic Education, they are paid a stipend by the foundation.

### Commitments for FY18

- Given positive results from our public-private partnership model for in-school nutrition, we will expand this to more schools in South Africa
- We will continue to sponsor the first prize in the Department of Basic Education's annual NSNP awards for best school and best district. For the best school, this means R450 000 towards a school kitchen and adoption onto our in-school breakfast feeding programme for a minimum of three years. The best district will receive R80 000 towards equipment for the NSNP office
- Provide a stipend of R550 per month for food handlers
- The foundation will also donate at least four more school kitchens (for schools identified by the department) in FY18. Two of these will be built in partnership with a corporate funder.

# Our customers and consumers

Given that satisfied customers and consumers ensure our sustained and profitable growth, we take our engagement with both groups of stakeholders seriously. In particular, consumers shape our business strategy and underpin our brand innovation and marketing strategy.

## Highlights

Maintained strength of core brands  
Consumer complaints declined by 10%  
On-shelf availability increased from 96% to 97%

## Challenges

No evidence of a recovery in consumer spending  
Competition for market share to intensify

### Our approach

Our **customers** are the retailers and wholesalers we distribute to in South Africa. We segment our major customers by:

- Channel (modern trade, general trade and pharmacy)
- Chain (major retailers, cash-and-carry shops)
- Format (including hypermarkets, supermarkets and spazas – informal stores mostly in townships).

To sustain strong relationships and a growth mindset, dedicated customer executives and shopper managers work in functional teams to serve each customer and their shoppers directly.

Our consumer-focused approach adds value to our company by offering a positive consumer experience that builds brand loyalty, the key to our continued success.

### Consumer strategy

Our marketing strategy is driven by our focus on consumers – and how to satisfy their needs better in our specific areas of the FMCG market. Key features include:

- Maintaining the number 1 or 2 position in our categories by investing to support our power brands
- Investing in marketing support and innovation to drive our organic and new business growth plans
- Continually evaluating new or adjacent category opportunities, either through acquisition or innovation – particularly where we are able to drive expansion based on our leading brands
- Keeping abreast of key consumer trends and adapting our marketing strategies to better satisfy their needs
- Continually striving to encourage healthier eating by our consumers
- In prevailing economic conditions, providing greater value for money through a portfolio strategy based on affordability.

**ALL CONSUMERS IN SOUTH AFRICA USE OUR PRODUCTS DAILY AND OUR PRODUCTS ARE SOLD IN 25 COUNTRIES ACROSS AFRICA, AS WELL AS ASIA AND EUROPE THROUGH OUR DECIDUOUS FRUIT BUSINESS**

**CONSUMERS SPEND 10% OF THEIR ANNUAL TOTAL ON TIGER PRODUCTS**

Source: Nielsen, company data.

In our international strategy, we aim to nurture and grow the businesses we currently own in the rest of Africa, and strengthen our exports from South Africa by evolving the distributor model, determining optimal coverage and improving in-market visibility.

### Customer strategy

Our operating landscape is undergoing significant and ongoing changes that affect the way consumers are shopping and, therefore, the way we go to market and meet in-store execution demands. Key elements of the retail landscape include:

- A crowded trading arena
- Shifting route to market, including the growth of independent channels, while hybrid stores blur the lines between retail and cash-and-carry formats
- Continued rise of private label
- Resilient independent trade
- The increasing role of data and technology
- Retailers seeking margin and growth opportunities
- Targeted collaboration/joint business planning
- Modern trade expanding into the rest of Africa.

Given these factors and building on our progress to date, our strategy is based on five priorities:

## GROWING WITH CUSTOMERS

Continued focus on growing channels, customers and formats through tailor-made offerings and measured by top-line growth with customers and market share

## GROWING DISTRIBUTION AND REACH IN GENERAL

**TRADE** Delivering relevant customer marketing activity for general trade retailers with specific activation such as stokvel drives

## Growing in-store

Actively engaging retailers to improve on-shelf availability, promotional effectiveness and brand exposure at point of purchase

## GREAT PLACE TO WORK

Building capability by attracting top talent to meet retailer needs and capitalise on shopper marketing data and insight generation

## PENETRATION IN AFRICA

Continue to leverage Tiger Brands' basket through stronger distributor management and trade channel development

General trade remains a critical success factor and modern trade continues to grow in Africa

## Underpinned by key enablers:

- Continue to focus on growing channels, chains and outlets
- Optimise retailer data mining and insight generation
- Joint business planning and collaboration

Our performance is tracked against three key metrics: customer growth, market share and service levels, including on-shelf availability, promotional and pricing activity. We set service level targets, which are agreed with customers and consistently perform within this range. We continue to focus on in-store execution and have exceeded the 50 basis point improvement target set in FY16 on a basket of strategic products.

### 2017 overview

#### Customer and consumer engagement

Tiger Brands engages with customers in South Africa and our other operating countries using a number of channels. We talk to our customers about category strategy, value chain efficiencies, trading terms, as well as pricing and promotional activities. These engagements take place on regular call cycles as per the industry standard and as requested by trade customers. Our ongoing progress is tracked through the independent advantage survey.

Our consumer services division manages all consumer interaction, including compliments, suggestions, product enquiries and complaints. Staffed by Tiger Brands employees, the call centre has now transitioned into a contact centre, assisting consumers via telephone, SMS, email, Facebook and WhatsApp.

In FY17, the contact centre had an average call answer time of 25 seconds and managed 73 056 consumer calls, while consumer complaints showed a 10% decrease, year on year.

Our customer relationship management (CRM) system allows us to capture and store all consumer engagement. These interactions are classified, prioritised and channelled to the appropriate quality and senior management teams. For all consumer complaints, company feedback is given after an investigation and independent analysis, when necessary.

Consumers are also compensated for the value of their defective product(s) – this is managed case by case with vouchers issued via SMS. An additional claims process is also available for consumers.

The contact centre is governed by an internal standard operating procedure, which includes processes to engage with consumers and customers as well as facilitate product recalls, when necessary. We are also able to assist with consumer insights. Our processes are aligned to the consumer goods and services ombudsman, Consumer Protection Act and Protection of Personal Information Act.

# Our customers and consumers continued

## Consumer insights

We value consumer insights and invest in ongoing research surveys such as the brand health tracker and Nielsen market share research:

- Brand health gauges the degree of brand recognition, consumers' likelihood of choosing our products and how well we satisfy the needs of the market. We track brands across 21 categories and, in most of these, the health of our brand is far above our nearest competitor
- Nielsen research tracks product market share by value and volume, distribution, pricing and product movement (see page 2).



We use these insights to improve category understanding, pinpoint consumer needs, develop productive market segmentation models and identify potential market opportunities. They are vital in enabling us to continually refresh our brands, position our pricing, innovate and develop our marketing strategies. In 2017, key trends from our research included the role of foreign traders in the independent trade, the importance of growing in-store, the need for strong category management tools and the ability to track promotional investments. These trends have been incorporated into our customer strategy, on page 62.



## Consumer nutrition and food safety

As a leading manufacturer, we are aware of the significant impact Tiger Brands has on the nutrition and thus health of its consumers. We monitor advances in nutrition and broader health issues, including World Health Organisation (WHO) and South African Department of Health public health concerns.

With malnutrition affecting a significant proportion of the populations we serve, we understand the important responsibility that comes with manufacturing staple foods like bread and maize meal, particularly to people in lower-income categories.

**Guideline daily amounts and Eat Well, Live Well:** We are dedicated to helping consumers make better food choices so that healthy living becomes easier. In 2009, we were the first South African company to voluntarily initiate the Eat Well, Live Well system that includes the

guideline daily amount (GDA) table on all Tiger Brands' products. The GDA notes the five nutrients that have an impact on non-communicable and lifestyle diseases, such as heart disease, type 2 diabetes, obesity and some cancers. The GDA table allows the consumer to balance high-risk nutrients for the day, and make better food choices. The Eat Well, Live Well system has its own icon – only featured on products that constitute better food choices for overall health – and website, where consumers can learn about incorporating healthy eating into their lifestyle ([www.ewlw.co.za](http://www.ewlw.co.za)). Consumers also have access to our nutritionist for further information or assistance.

Eat Well, Live Well is also active on social media such as Facebook, where consumers can interact with others on the site and with the nutritionist. To date, we have over 118 000 followers. We continue to evaluate and develop products to meet the "better for you" option, in line with the Eat Well, Live Well programme.

In 2017, we launched the Be Nutrient Wise system on the front of each pack. The Be Nutrient Wise logo alerts consumers to be mindful of guideline daily amounts (available in the GDA table) and thus monitor nutrients in their diet that increase the risk of a lifestyle or non-communicable disease.

**Fortification:** In line with South African regulations, we fortify staple foods such as wheat flour (for bread) and maize meal with key vitamins and minerals. These include vitamins A, B1, B2, B3, B6, B9 (folic acid), iron and zinc. Under pending changes to these regulations, cake flour will also need to be fortified for the benefit of consumers. Our Golden Cloud product range has already been reformulated.

In addition, we voluntarily enrich other products including breakfast cereals such as Morvite, certain Jungle cereals and Ace Instant with micronutrients. Products are specifically developed to target certain requirements, for example Jungle Energy bars are enriched with B vitamins that assist in releasing energy, while Morvite has been specifically developed with micronutrients to assist the immune system.

**Sodium/salt reduction:** Tiger Brands reduced salt levels in 2016 in affected food categories: bread, breakfast cereals, processed meats, savoury snacks, instant noodles and stock concentrates, to comply with South African regulations. We support the efforts of government to improve the health of South Africans, and will continue to work towards even lower sodium levels for the 2019 deadline.

**Taxation of sugar-sweetened beverages:** In February 2016, the South African minister of finance announced a tax on sugar-sweetened beverages. There have since been many interactions with National Treasury, including comprehensive written submissions and presentations to parliament's standing committee on finance by Tiger Brands. We have also interacted through our industry bodies, BevSA and the Consumer Goods Council.

Comments on the policy paper were submitted to National Treasury. Tiger Brands concurs with BevSA, our industry body, that a tax would have far-reaching socio-economic repercussions without a substantial effect in reducing obesity. As such, the tax should be withdrawn and existing collaborative efforts to address obesity between the Department of Health and industry should continue.

While comments and parliamentary hearings have led to changes in the tax model and rate of tax, the intention remains to tax sugar-sweetened beverages as a "health promotion levy", based on the amount of sugar in the product. The latest deliberations in parliament resulted in a request for treasury to again review related issues, specifically job losses and labour impact. We await the outcomes of this process but note treasury's indication that the implementation date has moved from April 2017 to April 2018.

#### **Consumer regulatory compliance and industry participation**

Tiger Brands ensures a high standard of compliance to consumer legislation and codes. We comply with the Consumer Protection Act, Foodstuffs, Cosmetics and Disinfectants Act and other laws that ensure consumer

protection. Areas of compliance refer to aspects of product labelling, pricing policies, product liability and safety, returns policies, marketing, standard terms and conditions and promotional competitions.

In terms of the Consumer Protection Act, we have made the required changes and conducted training across our business to ensure compliance. Our staff at the consumer services unit, which addresses consumer complaints, have also been trained on effectively managing consumer complaints.

In addition, we subscribe to the consumer goods and services industry code, enforced by that ombud, and adhere to the Advertising Standards Authority code on responsible advertising to consumers. We also adhere to the Cosmetics, Toiletries and Fragrances Association (CTFA) compendium, an industry code on the composition and labelling of personal care products.

Tiger Brands is a member of the Marketing Association of South Africa and our chief marketing officer is active on the board of this industry body.

#### **Looking ahead**

In designing the optimal operating model as part of the strategic review process, we identified the required capabilities to enable our strategy and growth ambitions. The process determined a need for upskilling, and in the case of consumers, specific capability gaps were identified in terms of understanding the price elasticity of our brands and digital marketing. The recruitment process is under way. These skills will be supported by enhanced processes and systems as well as an integrated operating model.

The new operating model will refocus on the consumer, reignite innovation by introducing concentrated innovation capabilities while engagement with Tiger Brands will become easier through a unified sales team and an integrated supply chain. With a deeper understanding of our consumers, better engagement with our customers and a renewed focus on R&D, we will be able to respond quickly by creating a forward-looking innovation portfolio.

# Environment

Our environmental policy commits to identifying environmental and climate change risks, taking action to address weaknesses, forging strong relationships with relevant stakeholders, developing and implementing a sustainability strategy, striving for continuous improvement, and reporting to the board through relevant committees.

## Highlight

ISO 14001 certifications retained

## Challenges

Significant capital expenditure to improve efficiency and flexibility of manufacturing architecture

Water scarcity and drought have a direct impact on the agriculture industry on which our business depends and on our manufacturing processes

### Environmental sustainability focus areas

Manufacturing operations	Packaging and finished goods	Supply chain	Environmental sustainability culture
Reduce the impact of our manufacturing operations by improving energy efficiency and water conservation, reducing GHG emissions, and minimising waste	Reduce the environmental impact of our products and packaging through design, sustainable sourcing and responsible disposal initiatives	Collaborate with our logistics and manufacturing vendors to assist in reducing the environmental impact of our supply chain	Continually engage our employees, consumers and communities to promote a culture of environmental sustainability

Since FY12, we have exceeded most of our key targets of a 5% reduction per annum.

- Excellent reduction in energy performance and waste
- Water intensity has been kept largely flat – this is an area of focus going forward
- The CO<sub>2</sub> emissions reflect an increased scope measurement over this period
- We have sustained our performance in the last two years

### Performance – steady progress over the last five years (FY12 to FY17)

Metric	FY12	FY17	Change
Energy (kWh)/ton	0,43	0,128	70% ↓
Packaging (ton/ton)	0,94	0,31	67% ↓
Waste (ton/ton)	0,04	0,005	88% ↓
Water (kl/ton)	1,88	2,12	(13%) ↑
Carbon emission (CO <sub>2</sub> emission/ton)	0,1571	0,2363	(50%) ↑



### Looking ahead FY17 to FY22 (baseline (FY16))

New targets have been set in line with our strategy (page 18), particularly focused on water consumption and carbon emissions.

Energy	Waste	Water	Packaging	Carbon emission
Improve energy efficiency by 15%	Reduce waste for disposal by 12%	Reduce water consumption and discharges per ton of product produced by 15%	Reduce packaging use by 9%	Eliminate carbon emissions and GHG as far as practically possible

Tiger Brands participates in the CDP programme for the Climate Change Disclosure and Water Disclosure programmes. CDP provides a single score that assesses progress towards environmental stewardship as reported by the CDP response. The score assesses the level of detail and comprehensiveness of the content, as well as the awareness of climate change issues, management methods and progress towards action taken on climate change as reported in the response.

CDP strengthened their scoring criteria this year which has an impact on comparability over time. Tiger Brands maintained a C- performance in 2017 given the stringent scoring newly introduced for the climate change responses. For the Water Disclosure programme, a result of B- performance was achieved.

#### Environmental governance

At board level, the risk and sustainability committee provides strategic guidance and leadership on climate change and environmental issues and oversees the implementation and revision of the environmental policy. Executing the strategy and managing the environmental system rests with the group manufacturing excellence department.

We also commit to set targets, and monitor, measure and report on our environmental scorecard against key performance indicators. The policy is available on the Tiger Brands intranet and website, and communicated internally to relevant stakeholder forums. Our manufacturing and distribution operations conduct policy training for all relevant employees.

Our environmental strategy is focused on improving environmental performance in key areas, shown below, and forms the framework for addressing identified priorities in our current organisational and external environment. By improving our environmental and social sustainability performance, we will generate economic benefits for stakeholders.

Our environmental control system covers:

- Policies and procedures
- Responsibilities and accountabilities for environmental management
- Reporting
- Environmental legal compliance
- Waste, water, energy, pollution, recycling, climate change management
- Continuous improvement
- Monitoring and performance measurement of systems.

After changes to the policy and procedures, related training takes place site by site. Training is also part of each site's induction programme, highlighting requirements and responsibilities, and ensuring employees know how to access policies and documents.

# Environment continued

## Our initiatives that drive strategic outcomes

Priorities	Strategic outcomes	Initiatives
Resource efficiency and cleaner production (RECP)	RECP programmes implemented through the National Cleaner Production Centre (NCPC) – CSIR and Tiger Brands partnership. RECP accelerates application of preventative environmental strategies to processes, products and services, leading to increased operational efficiency and performance excellence	<ul style="list-style-type: none"> <li>• RECP and selective Energy Systems Optimisation (ESO) assessments have been completed at our manufacturing facilities</li> <li>• These sites received a detailed technical report with process gaps. Recommendations are being implemented</li> </ul>
Reducing carbon emissions	Implementing energy management system (EnMS) in line with ISO 50001. We have prioritised our top seven heavy energy-user sites	<ul style="list-style-type: none"> <li>• UNIDO and CSIR energy experts conducted EnMS audits at pilot sites</li> <li>• EnMS will be implemented progressively across all our sites</li> </ul>
ISO 14001 certification	ISO 140001 standard assists Tiger Brands in protecting the environment and responding changing environmental conditions	<ul style="list-style-type: none"> <li>• All South African manufacturing sites are ISO 140001 certified</li> <li>• Surveillance audits conducted annually</li> <li>• ISO 14001 certification will be rolled out to distribution centres and offices</li> </ul>
Lifecycle assessments (LCAs) – cradle to grave	The LCA is a technique to assess environmental impacts associated with all stages of a product's life from cradle to grave (from raw material extraction through materials processing, manufacture, distribution, use, repair and maintenance, disposal or recycling)	<ul style="list-style-type: none"> <li>• LCAs have been completed for major products such as KOO baked beans, Albany bread and Beacon chocolate</li> <li>• Corrective actions are being implemented across the supply chain</li> </ul>
Promote resource and waste management	We plan to reduce our waste impact through the following initiatives: <ul style="list-style-type: none"> <li>• Reduce solid, hazardous and electronic waste</li> <li>• Reduce amount of non-recyclable packaging on site</li> <li>• Decrease total volume of waste removed from site</li> <li>• Achieve a closed on-site compost loop from our organic waste to reduce spending on fertilizers for maintaining vegetable gardens (head office) and other gardening activities</li> </ul>	<ul style="list-style-type: none"> <li>• Site waste segregation intensified, realising better recycling opportunities</li> <li>• Designing consumer-preferred, resource-efficient packaging and sustainably sourced raw material for our products</li> <li>• Using materials that can be recycled, used as waste-to-energy, or for composting</li> <li>• Delivering more value with less virgin material in the packaging</li> <li>• Reducing volatile organic compounds in packaging with R&amp;D</li> </ul>
Logistics impact	We intend to reduce carbon emissions from transporting raw and packaging materials and distributing finished goods	We have reduced logistics-related carbon emissions over 20% in the last two years by: <ul style="list-style-type: none"> <li>• Continually consolidating our fragmented distribution network</li> <li>• Increased transport back-hauling: raw and packaging materials on one trip, and finished goods on the return trip</li> <li>• Increased direct loads from 55% to 75%</li> </ul>
Procurement management	In addition to driving ethical and sustainable sourcing, we have engaged our suppliers on their environmental sustainability plans	We monitor our suppliers' plans using a balanced scorecard: <ul style="list-style-type: none"> <li>• All suppliers we have engaged with have environmental sustainability plans</li> <li>• Most of our suppliers have reduced their carbon emissions</li> <li>• We share best practices</li> </ul>

Priorities	Strategic outcomes	Initiatives
<b>Drive water stewardship</b>	As a business, it is crucial to understand the risks of water scarcity and pollution. Equally important is taking action to ensure water is managed sustainably as a shared, public resource. Stewardship goes beyond being an efficient water user	<ul style="list-style-type: none"> <li>• Measuring our water footprint (ie water use and waste-water discharge) throughout our value chain, including suppliers and product use</li> <li>• Treating waste water and effluent for appropriate reuse</li> <li>• Using recycled and grey water at some facilities while water-storage facilities have been installed where viable</li> <li>• Water-saving schemes have reduced the volume of municipal water used each year</li> <li>• Borehole water applications are being explored for sites in areas with a high water table</li> <li>• Participating in the CDP water disclosure programme. This global standard allows us to benchmark our performance against global peers and to learn from best practices</li> <li>• Member of the CEO Water Mandate for access to strategic frameworks, good-practice guidance and enabling tools to advance our water-stewardship practices</li> </ul>
<b>Curb energy consumption</b>	Our aim is to reduce the intensity of energy consumption and investigate alternative sources of energy for our facilities	<ul style="list-style-type: none"> <li>• Refurbished and upgraded most of the group's boilers</li> <li>• Retrofitting energy-saving LED lights using the replacement method, ie replacing old energy-intensive lights with LED bulbs</li> <li>• Ongoing installation of variable-speed drives for motors, fans and compressors</li> <li>• Optimising energy systems for significant energy users – boilers, compressors, equipment</li> <li>• Studies undertaken for alternative sources of energy for manufacturing facilities – solar and biomass</li> </ul>

### Legislative developments

In the review period, we began preparing for expected legislative changes in South Africa:

- Department of Minerals and Energy: submission of five-year company energy-reduction plans
- Department of Environmental Affairs: notification that companies will need to submit a five-year pollution prevention plan for approval by the minister
- Department of Environmental Affairs: request for mandatory or voluntary industry waste management plans or being part of a submission

While these regulations have not yet been legislated, we are proactively developing draft plans given the proposed three-month window between promulgation and submission to the minister. These legislative amendments will also require Tiger Brands to submit annual progress reports against submitted plans.

### Carbon tax

We continue to engage extensively with external parties to establish holistic, practical and affordable solutions on how to reduce our carbon emissions.

To ensure we are adequately prepared, we are considering:

- The extent of our potential liability, taking into account proposed tax-free thresholds
- The effect on suppliers that may be directly liable to pay the carbon tax and seek to pass on these costs.

In addition to addressing our own emissions, we are encouraging suppliers to improve the fuel efficiency of their operations and reduce their GHG emissions.

# Corporate governance

Sound corporate governance is an integral part of the group's success in achieving its strategic objective to create sustainable value, as per the strategy on page 18.



**THE BOARD OF DIRECTORS**  
Met six times in 2017

## **OUR BOARD SETS THE ETHICAL LEADERSHIP TONE WHICH IS EMBODIED IN TIGER BRANDS' VALUES. THESE IN TURN DIRECT OUR DAILY ACTIVITIES.**

During the year, the board was guided by the principles in the King IV Code on Corporate Governance, JSE Listings Requirements, Companies Act 2008 and other relevant laws and regulations.

## **OUR GOVERNANCE STRUCTURES, POLICIES AND STANDARD OPERATING PROCEDURES WERE REVIEWED AND ALIGNED TO KING IV PRINCIPLES TO SUPPORT OUR NEW OPERATING MODEL AND STRATEGY.**

The Tiger Brands board comprises directors who bring a diverse range of industry knowledge and experience to the board and exercise their judgement freely and independently. The board sets strategic objectives, monitors and reviews management's performance, and embeds a culture of ethical leadership in the group.

The board has delegated certain functions to committees to assist in meeting its oversight responsibilities in line with the board charter. Every committee has terms of reference and a work plan that are reviewed annually, and the directors confirm that all committees functioned in line with these terms of reference during the year. Committee members have the required skills to execute each mandate and all board committees are chaired by independent non-executive directors.

## AUDIT COMMITTEE

Met three times in 2017

### Members

RD Nisbet (chairman)

YGH Suleman

KDK Mokhele (resigned 21 February 2017)

EM Mashilwane (appointed 21 February 2017)

### Invitees

LC Mac Dougall

NP Doyle

CFH Vaux

The audit committee has, on the board's behalf, among other things:

- Reviewed the integrated report and annual financial statements
- Reviewed the provisional results and financial information
- Reviewed internal financial controls and the internal audit function's empowerment, support and effectiveness
- Proposed the external auditors, the quantum of non-audit services and fees for both sets of services
- Monitored performance of the audit, finance, tax and treasury reporting functions
- Monitored the solvency and liquidity of the company and recommended the interim and final dividend
- Monitored all matters relating to the financial assistance policy
- Monitored elements of the combined assurance plan
- Performed its statutory duties as set out in section 97(4) of the Companies Act.

The committee chairman's report is set out on page 82. 

## RISK AND SUSTAINABILITY COMMITTEE

Met three times in 2017

### Members

YGH Suleman (chairman) (appointed as chairman 21 February 2017)

MO Ajukwu

RD Nisbet

MJ Bowman (appointed 21 February 2017) (resigned 19 September 2017)

KDK Mokhele (resigned 21 February 2017)

BS Tshabalala (appointed 19 September 2017)

### Invitees

NP Doyle

CFH Vaux

AG Kirk

PW Spies

The risk and sustainability committee has, on the board's behalf:

- Monitored information technology (IT) governance and approved the IT strategy
- Monitored material group risks through the enterprise risk management framework and ensured that all risks have been identified through a comprehensive bottom-up and top-down process and continue to be effectively managed
- Monitored the governance of risk and compliance and IT governance, and reported to the audit committee
- Monitored elements of the combined assurance plan and internal audit report.

The risk management report is set out on page 14. 

## INVESTMENT COMMITTEE

Met four times in 2017

### Members

KDK Mokhele (chairman) (appointed  
21 February 2017)

RD Nisbet

YGH Suleman

MJ Bowman (appointed 21 February 2017)

AC Parker (resigned 21 February 2017)

### Invitees

LC Mac Dougall

NP Doyle

CFH Vaux

The investment committee has, on the board's behalf:

- Assessed investment opportunities as set out in the group's strategic objectives
- Recommended acquisition, investment and divestment opportunities
- Monitored post-investment reviews of historical strategic investments.

In 2017, this committee was aligned to the strategy and value-creation intent of the board and recommended:

- The disposal of the company's interests in Kenya and Ethiopia
- Approved further investment in Deli Foods.

## REMUNERATION COMMITTEE

Met four times in 2017

### Members

SL Botha (chairman) (stepped down as  
chairman 19 September 2017)

MJ Bowman (appointed chairman  
19 September 2017)

M Makanjee (appointed 21 February 2017)

KDK Mokhele (appointed 21 February 2017)

MP Nyama

AC Parker (resigned 21 February 2017)

YGH Suleman (resigned 21 February 2017)

### Invitees

LC Mac Dougall


CFH Vaux

TE Kodisang

The remuneration committee is responsible for assisting the board to ensure the group's reward and remuneration policies are aligned to its objective of value creation and benchmarked to ensure fairness and competitiveness.

The committee has, on the board's behalf:

- Approved remuneration strategies and policies designed to attract, motivate and retain employees, senior management and directors in achieving the group strategy to create value
- Recommended the remuneration policy and implementation reports to shareholders
- Recommended non-executive directors' fees for approval by shareholders.

Refer to the report by the chairman of the remuneration committee on page 88. 



## NOMINATIONS COMMITTEE

Met three times in 2017

### Members

KDK Mokhele (chairman)  
(appointed 21 February 2017)  
SL Botha  
MJ Bowman (appointed 19 September 2017)  
M Makanjee  
MP Nyama  
AC Parker (resigned 21 February 2017)

### Invitees

LC Mac Dougall  
TE Kodisang

The nominations committee has, on the board's behalf:

- Ensured the board and its committees were appropriately structured, skilled and staffed to execute their mandates
- Monitored execution of the diversity policy
- Completed an evaluation of the board chairman, evaluated the independence of all directors including those serving for longer than nine years, and evaluated retiring directors
- Completed the evaluation of the performance of the CEO
- Proposed the re-election of retiring directors after a satisfactory performance review
- Ensured a succession plan and formal processes are in place for appointing new directors, CEO, CFO and executive management
- Monitored a formal induction programme for new directors and ongoing board development programme for all directors
- Monitored execution of the talent management pipeline in delivering the group strategy.

## SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

Met three times in 2017

### Members

M Makanjee (chairman)  
KDK Mokhele (appointed 21 February 2017)  
MP Nyama  
BL Sibiyi (resigned 30 June 2017)  
LC Mac Dougall

### Invitees

TE Kodisang  
MJ Morifi  
T Naidoo  
PD Sithole

The social, ethics and transformation committee has, on the board's behalf:

- Monitored development of the code of ethics and a culture of ethical leadership in the group
- Ensured that the group remained a good corporate citizen
- Reviewed policies for transformation and sustainability
- Monitored the performance of social and economic development of employees and relevant stakeholders
- Monitored consumer experiences with product and compliance to consumer protection laws
- Monitored engagement with key stakeholders in line with group strategy
- Monitored adherence by the group to the governance and compliance framework.

The committee's report is on page 85. 

## EXECUTIVE COMMITTEE

See pages 79 and 80

### Group chief executive officer

The CEO, Lawrence Mac Dougall, reports to the board. He is responsible for overseeing execution of the board-approved strategic direction and objectives of Tiger Brands. He chairs the group executive committee which comprises 11 members who assist him in managing the day-to-day affairs of the group. The CEO is not a member of the remuneration, audit or nominations committees, but attends meetings by invitation. He does not participate in discussions on his own remuneration.

# Corporate governance continued

## BOARD PROFILE



	<b>Khotso Mokhele</b>	<b>Michael Ajukwu</b>	<b>Santie Botha</b>	<b>Mark Bowman</b>	<b>Maya Mankanjee</b>
<b>External directorships</b>	African Oxygen, Mapitso Consortium, Hans Merensky Holdings, Kenosi Investment Holdings. Special adviser to minister of science and technology, chancellor of University of the Free State	Intafact Beverages (subsidiary of SABMiller in Nigeria), Novotel: Port Harcourt, Nigeria (member of Accor Hotels group)	Telkom, Liberty Holdings, Famous Brands (chair), Curro Holdings (chair), chancellor of Nelson Mandela Metropolitan University	Dis-Chem, Distell, Mr Price Group	Mpact, AIG South Africa and AIG Life South Africa, trustee of Nelson Mandela Foundation
<b>EXPERIENCE</b>					
Auditing and accounting	✓				
Business intelligence			✓		
Corporate finance		✓			
Finance					
FMCG				✓	✓
General management	✓	✓		✓	✓
Governance	✓		✓		✓
Human resources			✓		✓
ICT					
Marketing			✓		✓
Mergers and acquisitions				✓	
Regional		West Africa		Africa	Africa
Remuneration			✓		
Risk	✓	✓			
Sales			✓	✓	
Stakeholder relations		✓			✓
Strategy	✓		✓	✓	✓



**Rob Nisbet**

**Makhup Nyama**

**Yunus Suleman**

**Emma Mashilwane**

**Swazi Tshabalala**

	Xon Holdings, BDO Inc, Makhup Properties, Kapela Holdings	Liberty Holdings and Group, Albaraka Bank, Gold Fields, Ectus South Africa (chair), Sulfam Holdings (chair)	Nkonki Incorporated, Murray & Roberts	SAA, Standard Bank Group, Kupanua Investments and Barbican Advisory Group
✓		✓	✓	
✓		✓		
✓		✓	✓	✓
✓			✓	✓
✓		✓		
	✓			✓
	✓		✓	
	✓			
	✓			
✓				
		Africa telecoms		
	✓			
✓			✓	✓
✓				

# Corporate governance continued

## Independent non-executive directors

### Member attendance:

		Board	Audit	Risk and sustainability	Investment	Remuneration	Nominations	Social, ethics and transformation
<b>DR KHOTSO MOKHELE (62)</b> Chairman of the board <i>BSc (agriculture), MSc (food science), PhD (microbiology)</i>	Appointed: 1 August 2007	6/6	1/1 Resigned from committee on 21 February 2017 and attended 1/1 meetings during his tenure	1/1 Resigned from committee on 21 February 2017 and attended 1/1 meetings during his tenure	4/4	2/2 Joined committee on 21 February 2017 and attended 2/2 meetings during his tenure	1/1 Joined committee on 21 February 2017 and attended 1/1 meetings during his tenure	1/1 Joined committee on 21 February 2017 and attended 1/1 meetings during his tenure
<b>MICHAEL AJUKWU (61)</b> <i>BSc (finance), MBA</i>	Appointed: 31 March 2015	6/6		3/3				
<b>SANTIE BOTHA (53)</b> <i>BEcon (hons)</i>	Appointed: 18 August 2004	6/6				4/4	3/3	

Independent non-executive directors

Member attendance:

**MARK BOWMAN (51)**  
*BCom, MBA*

	Board	Audit	Risk and sustainability	Investment	Remuneration	Nominations	Social, ethics and transformation
Appointed: 1 June 2012	6/6		2/2 Joined committee on 21 February 2017 and attended 2/2 meetings during his tenure	2/2 Joined committee on 21 February 2017 and attended 2/2 meetings during his tenure			

**MAYA MAKANJEE (55)**  
*BA (fine arts), BCom, MBL (cum laude)*

	Board	Audit	Risk and sustainability	Investment	Remuneration	Nominations	Social, ethics and transformation
Appointed: 1 August 2010	6/6				2/2 Joined committee on 21 February 2017 and attended 2/2 meetings during her tenure	3/3	3/3

**EMMA MASHILWANE (42)**  
*BCompt, BCom (hons), CA(SA)*

	Board	Audit	Risk and sustainability	Investment	Remuneration	Nominations	Social, ethics and transformation
Appointed: 1 December 2016	5/5 Joined the board on 1 December 2016 and attended 5/5 meetings during her tenure	2/2 Joined committee on 21 February 2017 and attended 2/2 meetings during her tenure					

# Corporate governance continued

## Independent non-executive directors

### Member attendance:

#### **ROB NISBET** (62)

BCom, BAcc, CA(SA)

	Board	Audit	Risk and sustainability	Investment	Remuneration	Nominations	Social, ethics and transformation
Appointed: 1 August 2010	6/6	3/3	3/3	4/4			

#### **MAKHUP NYAMA** (60)

BCom, MBA, diploma in marketing management

	Board	Audit	Risk and sustainability	Investment	Remuneration	Nominations	Social, ethics and transformation
Appointed: 1 August 2010	6/6				3/4	2/3	2/3

#### **YUNUS SULEMAN** (60)

CA(SA), BCom, BCompt (hons), leadership programmes

	Board	Audit	Risk and sustainability	Investment	Remuneration	Nominations	Social, ethics and transformation
Appointed: 13 July 2015	6/6	3/3	1/2 Joined committee on 21 February 2017 and attended 1/2 meetings during his tenure	4/4	2/2 Resigned from committee on 21 February 2017 and attended 1/2 meetings during his tenure		

#### **SWAZI TSHABALALA** (51)

BA (economics), MBA

	Board	Audit	Risk and sustainability	Investment	Remuneration	Nominations	Social, ethics and transformation
Appointed: 26 May 2017	1/2 Appointed to board on 26 May 2017 and attended 1/2 meetings during her tenure						



## Executive directors

## Member attendance\*:

		Board	Audit	Risk and sustainability	Investment	Remuneration	Nominations	Social, ethics and transformation
<b>LAWRENCE MAC DOUGALL</b> (60) Chief executive officer	Appointed: 10 May 2016	6/6	3/3		4/4	4/4	3/3	3/3
	Area of expertise and contribution: General management, strategy execution, fast-moving consumer goods, Africa, developing markets External appointment: Oceana Group Limited							

		Board	Audit	Risk and sustainability	Investment	Remuneration	Nominations	Social, ethics and transformation
<b>NOEL DOYLE</b> (51) Chief financial officer FCA, CA(SA)	Appointed: To the board in July 2015, joined Tiger Brands in July 2012	6/6	3/3	3/3	4/4			
	Area of expertise and contribution: Accounting and auditing, governance, fast-moving consumer goods, corporate finance, mergers and acquisitions External appointment: Oceana Group Limited							

		Board	Audit	Risk and sustainability	Investment	Remuneration	Nominations	Social, ethics and transformation
<b>CLIVE VAUX</b> (66) Corporate finance director CA(SA)	Appointed: 16 February 2000	6/6	3/3	3/3	4/4	4/4		
	Area of expertise and contribution: Accounting and auditing, corporate finance, mergers and acquisitions							

\* Executive directors attend board committee meetings by invitation. However, Lawrence Mac Dougall is a member of the social, ethics and transformation committee (SET).

## Company secretary

**THIROSHNEE  
NAIDOO**  
(44)

Group company secretary and legal adviser  
BProc, EDP

Appointed:  
15 May 2015  
Experience:  
Admitted attorney with over 16 years' experience as corporate counsel, mostly in FMCG industry and particularly in African operations

The company secretary is critical to the proper governance of Tiger Brands. It is the responsibility of the board to ensure that the company secretary remains empowered to fulfil the function for which she has been appointed. See report of audit committee on page 82 for further details.

# Corporate governance continued

## Executive committee



### MARC EYRES (58)

**Group executive:** Customer and Tiger Brands International portfolio  
*BSocSci*

**Appointed:** April 2015

**Experience:** Senior FMCG sales and customer marketing roles across Africa, South Asia and Australia, including customer vice-president for Unilever South Africa and India.



### GRATTAN KIRK (53)

**Business executive:** Consumer Brands – Foods and HPCB  
*FCA, CA(SA)*

**Appointed:** July 2013

**Experience:** Seventeen years in retail and 13 years at Deloitte, former CEO of JD Group Limited and Connection Group Holdings. He is a board member of Consumer Goods Council of South Africa and consumer goods and services ombud.



### TSWELO KODISANG (44)

**Chief HR officer**  
*BCom, postgraduate diploma in labour law, HR management*

**Appointed:** May 2014

**Experience:** Twenty-five years in FMCG, including as global HR vice-president at Unilever.



### BRENDA KOORNNEEF (65)

**Group executive:** marketing and corporate strategy  
*BCom*

**Appointed:** January 2011

**Experience:** Thirty-two years in FMCG, including 17 years at Unilever, marketing and business across Africa, general management at SABC, Moribo Limited and Tiger Brands.



### MARY-JANE MORIFI (56)

**Group executive:** Corporate affairs and sustainability  
*BSocSci, Honours in Sociology*

**Appointed:** December 2016

**Experience:** Twenty-one years in extractive industries (SA and UK) in various roles, including six years as executive for corporate affairs at Anglo American Platinum.



### PATRICK SITHOLE (50)

**Group executive:** Supply chain  
*BSc (chem eng)*

**Appointed:** August 2012

**Experience:** Over 25 years in FMCG, including as supply chain vice-president for Unilever South Africa.



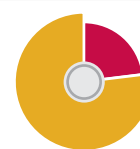
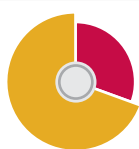
### PIETER SPIES (52)

**Business executive:** Grains division  
*BCom, IMM, diploma in logistics*

**Appointed:** February 2017

**Experience:** Over 25 years in FMCG and agriculture, former CEO of GWK Group and executive roles at Cadbury, Diageo, Telkom. Board member of National Foods Zimbabwe.

<b>Composition of the board</b>	<p>At 30 September 2017, the board comprised 13 directors: 10 independent non-executive directors and three executive directors. The board assessed the independence of non-executive directors against the criteria in King IV and the JSE Listings Requirements, and taking into account all relevant factors, considered them truly independent.</p> <p>The positions of board chairman and chief executive officer (CEO) have been clearly defined and are separated.</p>
<b>Changes to the board</b>	<p>On 1 December 2016, Emma Mashilwane and Kevin Hedderwick joined the board as independent non-executive directors. Emma brings risk management, governance, auditing and financial management expertise. Khotso Mokhele became board chairman on 21 February 2017, after serving as an independent non-executive director of Tiger Brands since August 2007. He brings extensive knowledge in business leadership, risk, strategy and governance. On 26 May 2017, Swazi Tshabalala was appointed independent non-executive director. She has over 20 years of professional experience in risk management, finance, investments and general management.</p> <p>These appointments were conducted through a formal and transparent process, as set out in the Tiger Brands policy governing appointments to the board of directors.</p> <p>Kevin Hedderwick resigned from the board on 14 February 2017. On 21 February 2017, André Parker resigned from the board. He was appointed in August 2007 and served as board chairman from August 2012. Bheki Sibiyi resigned from the board and as deputy chairman on 30 June 2017.</p>
<b>Rotation of the board</b>	<p>In line with the company's memorandum of incorporation, one-third of directors are required to retire by rotation at each AGM. The retiring directors, if eligible and available, may offer themselves for re-election, subject to a performance review by the board. New directors are also subject to election by shareholders at the first AGM after their appointment. Brief profiles of directors retiring by rotation are on page 76 of the integrated report and page 10 of the notice of AGM. Clive Vaux was due for rotation; however, he is not available for re-election as he will be retiring at the conclusion of the annual general meeting scheduled for 20 February 2018.</p>
<b>Board tenure</b>	<p>Non-executive directors who have served on the board for longer than nine years may continue in office after independence and performance assessments by the board. In the review period, the board concluded that KDK Mokhele and SI Botha, who have served on the board for longer than nine years, exercised objective judgement not biased by their length of service. Santie Botha retired from the board with effect from 24 November 2017.</p>
<b>Diversity</b>	<p>During the year, the board adopted a group policy on gender diversity, which aims to promote gender diversity at board level. At present, 31% of the board are women and 54% are black. The board acknowledges that diversity brings the benefit of different perspectives and ideas, and continues to monitor its progress in achieving voluntary targets. The board determined a target of 50% of women and black representation respectively, by 30 September 2022.</p>



<b>Succession planning</b>	<p>The board keenly understands the importance of succession plans. In 2017, the board, through its nominations committee, reviewed the group's succession plans for non-executive directors, executive directors and executive management positions and approved the company's talent management practices and processes.</p>
<b>Directors' induction programme and continuous development</b>	<p>A comprehensive directors' induction programme was successfully implemented in the review period. This comprises a corporate and statutory update, led by the group company secretary and corporate sponsors; a business update comprising meetings with the board chairman, executive management team; and a business context update that includes visits to manufacturing sites, meeting senior leadership as well as visits to certain trade hubs in modern, traditional or informal trade to give directors a business and contextual understanding of the industry, manufacturing capability and competitive set while also understanding relevant business and legislative trends in the context of company policies.</p>
<b>Assessment</b>	<p>The effectiveness and performance of the board, individual directors and the chairman was internally assessed this financial year. The results indicated that board processes are working effectively and the chairman's performance is satisfactory.</p>

# Audit committee report



**Rob Nisbet**, *Chairman*

This report is provided by the audit committee appointed for FY17 in compliance with the Companies Act No 71 of 2008, as amended. The committee's activities are guided by a detailed charter informed by the Companies Act and King IV, and approved by the board.

The committee has executed its duties and responsibilities for the group's accounting, internal control, external auditing and financial reporting practices for the review period in line with its terms of reference.

## Structure

The committee comprises three independent non-executive directors, and its chairman is not the chairman of the board. Members and attendance are on pages 71 and 76 to 78.



Biographical details of members are on pages 74 and 75, while fees are noted in the remuneration report on pages 100 and 101.



## The review period

### External audit

The committee, among other matters:

- Nominated Ernst & Young Inc to shareholders for appointment as the external auditor, with Warren Kinnear as the designated auditor, for the financial year ended 30 September 2017. It ensured that the appointment complied with all applicable legal and regulatory requirements, and that the auditor and designated auditor are accredited by the JSE Limited
- Approved the external audit engagement letter, plan and budgeted audit fees. Fees paid to the auditor are detailed in note 3 of the group annual financial statements
- Reviewed the audit, evaluated the effectiveness of the auditor and its independence, and evaluated the external auditor's internal quality control procedures

- Obtained an annual written statement from the auditor that its independence was not impaired
- Considered the reports of the external auditor on the group's systems of internal control, including financial controls
- Determined the nature and extent of all non-audit services provided by the external auditor and pre-approved all non-audit services
- Obtained assurances from the external auditor that adequate accounting records were being maintained
- Considered whether any reportable irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act No 26 of 2005, and determined that there were none
- Nominated the external auditor and designated independent auditor for the company.

### Independence of the external auditor

The audit committee is satisfied that Ernst & Young Inc is independent of the group after considering the following factors:

- Representations by Ernst & Young Inc to the committee
- The auditor does not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefit from the company
- The auditor's independence was not impaired by any consultancy, advisory or other work undertaken
- The auditor's independence was not prejudiced by any previous appointment as auditor
- Criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies.

### Financial statements

In respect of the financial statements, the committee:

- Confirmed the going concern requirement as the basis of preparing interim and annual financial statements
- Reviewed compliance with the financial conditions of loan covenants and determined that the capital and debt facilities of the group are adequate
- Examined and reviewed the interim and annual financial statements, as well as all financial information disclosed to the public before submission to and approval by the board
- Ensured the annual financial statements fairly present the financial position of the company and group at the end of the financial year and the results of operations and cash flows for that period, and considered the basis on which the company and group were determined to be a going concern

- Considered accounting treatments, significant unusual transactions and accounting judgements
- Considered the appropriateness of accounting policies adopted and any changes
- Reviewed the external auditor's audit report
- Reviewed the representation letter on the group financial statements signed by management
- Considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements
- Met separately with management and external audit to review and discuss the annual financial statements
- Received and considered reports from the internal auditors.

### Internal controls and internal audit

For internal controls and internal audit, including forensic audit, the committee:

- Reviewed and approved the internal audit charter and annual audit plan, and evaluated the independence, effectiveness and performance of the internal audit function and compliance with its charter
- Considered reports of the internal auditor on the group's systems of internal control including financial controls, business risk management and maintaining effective internal control systems
- Received assurance that proper and adequate accounting records were maintained and that systems safeguarded assets against unauthorised use or disposal
- Reviewed significant issues raised by internal and forensic audit processes and the adequacy of corrective action
- Assessed the performance of the internal audit function and found it satisfactory
- The committee confirms it has no reason to believe there were any material breakdowns in the design and operating effectiveness of internal financial controls in the period that have not been addressed or are not being addressed by management.

In terms of **risk management** and **information technology** relevant to its functions, the committee:

- Reviewed the group's policies on risk assessment and management, including fraud risks and information technology risks as they relate to financial reporting and the going concern assessment, and found them sound
- Considered and reviewed the findings and recommendations of the risk and sustainability committee.

# Audit committee report continued

For **sustainability issues**, the committee:

- Considered the findings and recommendations of the risk and sustainability committee
- Met with senior management to consider findings on assurance, and made appropriate enquiries from management. Through this process, it has received the necessary assurances that material disclosures are reliable and do not conflict with financial information.

For **legal and regulatory requirements**, to the extent that these may impact the financial statements, the committee:

- Reviewed, with management, legal matters that could have a material impact on the group
- Reviewed, with the company's internal counsel, the adequacy and effectiveness of the group's procedures to ensure compliance with legal and regulatory responsibilities
- Monitored concerns on accounting matters, internal audit, internal accounting controls, contents of the financial statements, potential violations of the law and questionable accounting or auditing matters
- Considered reports provided by management, internal auditor and external auditor on compliance with legal and regulatory requirements.

In terms of coordinating **assurance activities**, the committee reviewed the plans and work outputs of the external and internal auditors and concluded these were adequate to address all significant risks facing the business.

There is an enterprise-wide system of internal control and risk management in all key operations to manage and mitigate risks. The combined assurance approach is integrated with the risk management process to assess assurance activities across the various lines of defence. While the committee is satisfied with the level of assurance provision for significant group risks, the combined assurance approach will be enhanced in FY18 to include the efficient delivery of assurance activities aligned to the revised operating model.

## Chief financial officer expertise and experience

The committee considered the expertise, resources and experience of the chief financial officer, Noel Doyle, and concluded these were appropriate. Biographical details appear on page 79.



## Company secretary

The board assessed group company secretary Thiroshnee Naidoo's competency, skills, experience and whether she maintains an arm's length relationship with the board. For the review period, the board is satisfied that Thiroshnee is suitably qualified. Biographical details are



on page 79.

After year end, the board announced the appointment of Advocate Kgosi Monaisa as group company secretary from 1 November 2017. The board is satisfied that Kgosi has the necessary skills and experience for this position. Biographical details appear on the website.



All directors have unlimited access to the services of the company secretary, who is responsible to the board for ensuring proper corporate governance principles are applied.

The company secretary also ensures the proper administration of proceedings and matters relating to the board, the company and shareholders in line with applicable legislation and procedures. He is responsible for director training and induction, as well as the annual board evaluation.

The committee confirms that the company secretary maintains an arm's length relationship with the board and directors, taking into account that the company secretary is not a director of the company nor related to any of the directors.

## Annual financial statements

Following its review of the annual financial statements of Tiger Brands Limited for the year ended 30 September 2017, the committee believes that, in all material respects, these comply with the relevant provisions of the Companies Act and IFRS and fairly present the consolidated and separate financial position of the company at that date and the results of its operations and cash flows for that year. The committee has also satisfied itself on the integrity of the remainder of this integrated annual report 2017.

Having achieved its objectives, the audit committee recommended the annual financial statements and integrated annual report for approval by the board. The board has since approved the annual financial statements and integrated annual report 2017, which will be open for discussion at the upcoming annual general meeting.

On behalf of the committee

**Rob Nisbet**

*Chairman – Audit Committee*

28 November 2017



## Social, ethics and transformation committee report



Maya Mankanjee, *Chairman*

During the review period, this committee made significant progress in refocusing Tiger Brands on its societal capital and the shared value we create for our stakeholders. As a starting point, we commissioned our baseline stakeholder engagement survey for an informed view on perceptions, needs and expectations of all material stakeholders as we plan for the coming year.

**Q** This study, detailed on page 26, has highlighted some areas that will need concerted focus in the next year and which will inform our longer-term stakeholder engagement strategy and plans. In general, stakeholders are satisfied with the quality of our engagement but would like to see more structured, responsive, purposeful and continuous interaction. We will pay particular attention to this in FY18.

Our socio-economic development strategy was revised to move Tiger Brands further from our historical charitable approach, mainly providing food hampers to needy communities, to sustainably developing our beneficiaries through capacity building, community enterprise development and community and household food gardens. We believe these programmes will take beneficiaries closer to reaching food security and becoming self-sustaining. They also provide a solid potential for creating viable and flourishing communities.

The Tiger Brands Foundation, supported through dividends from Tiger Brands, continues to deliver excellent results from what is fast becoming an international flagship

project – the in-school breakfast programme. This is recognised by the Global Child Nutrition Forum and the Department of Basic Education as the best model for school nutrition programmes. We will continue to work with these entities to see how best to share this model with the rest of the continent. Engagements are currently taking place with neighbouring countries.

An ongoing concern for the committee is the safety of our bakery drivers. Experts have reviewed the effectiveness of existing driver safety initiatives and we will continue to investigate possible solutions for a cashless bread delivery system to reduce the number of incidents.

In the new year, we will focus on embedding programmes that will contribute to creating a great place to work, including diversity and inclusion. We will implement recommendations from the gender commission and continue to train and develop our employees to their fullest potential.

# Social, ethics and transformation committee report

continued

As a statutory committee of the board, the social, ethics and transformation committee fulfils its duties against the requirements of sections 72(4) and (5) of the Companies Act 2008 and regulation 43 of the Companies Regulations 2011. In addition to ensuring legislative compliance, the committee applies the principles of good corporate governance as per King IV in fulfilling its functions. King IV asks companies to adopt a mindset of self-regulation rooted in broader socio-economic consciousness. Accordingly, the committee oversees the company's performance in terms of mindful adoption of good corporate citizenship as the mechanism to create value for all stakeholders, while generating growth for the business. The committee oversees the company's social and ethical performance through its monitoring and reporting function to the board, and provides guidance to the CEO and directors on improving performance in these domains.

Particular areas of oversight include:

- Social and economic development activities
- Organisational ethics
- Transformation
- Responsible corporate citizenship
- Environment, health and safety
- Labour and employee relations
- Consumer relations.

In the review period, the committee comprehensively reviewed its terms of reference to align with King IV.

Key revisions included:

- Roles, duties and authority of the committee
- Management of meetings and resolutions
- Reporting procedures
- Evaluating performance.



These amendments ensure the committee's optimal performance in discharging its duties appropriately, and eliminate duplication between its oversight role relative to the responsibilities of the operational ethics committee and risk and audit committees.

## Membership and attendance

See pages 73 and 77 to 79.

## Outline of activities

For the review period, the committee:

- Conducted a stakeholder engagement survey to measure the health of the company's engagement with its material stakeholders (page 26) 
- Reviewed and monitored implementation of initiatives to comply with the Broad-Based Black Economic Empowerment Act
  - We expanded the inclusion of small-scale farmers into our supply chain and made progress on our smallholder farmer programme, implemented with the Department of Agriculture, Forestry and Fisheries in 2016 (see page 54) 
- Monitored the adoption of good governance practices and policies to ensure the elimination of corruption in line with Organisation of Economic Cooperation and Development (OECD) anti-corruption principles
  - Provided oversight on the roll out of compulsory competition law, as well as anti-bribery and corruption, training for employees. The latter two topics will extend to board members
- Reviewed relevant policies to support and respect internationally proclaimed human rights laws and ensure the group is not complicit in human rights abuses (United Nations Global Compact (UNGC) principles 1 and 2)
- Monitored the group's activities to promote equality and eliminate unfair discrimination in its business dealings:
  - The diversity and inclusion programme monitors progress on gender representation and inclusion of people with disabilities
  - Management hosted disability sensitisation and voluntary disclosure workshops, attended by 359 employees, with 32 voluntarily disclosing disabilities
- Reviewed and monitored the group's contribution to developing communities:
  - Promoting sustainable community development through the socio-economic development strategy
  - Food and nutrition security programmes and their reach and impact
  - Monitoring the impact of the Tiger Brands Foundation through the in-school breakfast feeding programme
- Monitored the record of sponsorships, donations and charitable giving
- Monitored the company's initiatives in reducing carbon emissions
- Reviewed and monitored the group's standing in terms of the International Labour Organisation's protocol on decent work
- Monitored the adequacy of group mechanisms in eliminating forced and compulsory labour as well as child labour (UNGC principles 4 and 5)

- Reviewed and monitored the group's industrial relations climate and union engagement (UNGC principle 3)
  - Received satisfactory updates on workshops to build capacity in industrial relations negotiations
  - Received updates on the industrial relations environment at all sites to identify and manage related risks by understanding the levels of union representation at each site
  - Received updates on the progress of wage negotiations. These have been concluded successfully
  - Ensured comprehensive management plans were in place to safeguard employees at sites where strike action was under way. There were no incidents of damage to property or equipment, and employees were unharmed
- Reviewed and monitored elimination of unfair discrimination in employment and occupation (UNGC principle 6)
- Reviewed and monitored compliance with the Employment Equity Act
- Reviewed and monitored training and development of employees
- Monitored compliance with consumer protection laws
- Reviewed the company's approach to preventing, detecting and responding to fraud and corruption
- Reviewed the regulatory and compliance universe relevant to its areas of responsibility
- Engaged with the risk committee on the matters monitored by that committee on its behalf
  - Safety and health focused on the reduction of safety incidents involving our bakery drivers by exploring initiatives to remove cash from bread delivery vehicles
  - Received reports on the behaviour-based safety programme designed to reduce LTIFR at our manufacturing sites
  - As part of the environmental sustainability oversight, received reports on programmes to reduce the impact of our operations on energy efficiency, water consumption, waste minimisation and reduction of greenhouse gas emissions
- Reviewed the company's position and engagement approach in terms of the Tiger Brands submission to National Treasury on proposed taxation of sugar-sweetened beverages
- Reviewed the group's code of ethics, which has been amended to include members of the Tiger Brands board
- Considered and approved updated policies:
  - Group code of ethics
  - Anti-bribery and anti-corruption
  - Gifts, entertainment and hospitality
  - Declaration of interests
  - Group stakeholders management.

Tiger Brands is committed to ensuring that its principles on ethics are implemented across the company. The committee will continue to monitor processes and policies to ensure compliance. It is satisfied it has considered and discharged its responsibilities for the financial year in line with its terms of reference, King IV and the Companies Act.

On behalf of the committee



**Maya Makanjee**

*Chairman – Social, ethics and transformation committee*

28 November 2017

# Remuneration report

Strategic remuneration decisions to attract, motivate and retain talent have become critical to support the delivery of our business strategy.



Mark Bowman, Chairman – Remuneration Committee

## PART 1: BACKGROUND STATEMENT

In recent years, the challenging socio-political landscape and fluctuating rand have significantly influenced the internal and external environment in which Tiger Brands operates. In response, we have focused on reorganising the group to create greater efficiencies and reduce operating costs, providing the necessary fuel for growth. In addition, we have refocused our strategic and financial targets to ensure long-term sustainable growth (page 18).

In this context, strategic remuneration decisions to attract, motivate and retain talent have become critical to support the delivery of our business strategy. We also drew on key elements of our human resources development initiatives to further this aim.

### Focus areas

We continued to consolidate and simplify remuneration structures in 2017. This included creating one recognition programme under the umbrella of Tiger Stripes.

Underpinning these focus areas, we sought to ensure that our key financial performance measures were clearly defined so that, if met, we would achieve our business strategy and employees would be rewarded for the value created.

In addition, specifically for key black managers in critical positions, and with no further shares being available for allocation in terms of the two black managers schemes, the current policy of granting restricted shares has been adjusted to also allow for the use of restricted shares as an attract-and-retain mechanism.

### Shareholder feedback

In addition to internal imperatives, remuneration decisions in the review period were influenced by the outcome of the

non-binding advisory shareholder vote on our 2016 remuneration policy. Key concerns from shareholders included the removal of strategic objectives from the short-term incentive scheme, the rationale for additional cash payments to the group CEO and CFO, the perceived relaxation of performance conditions/targets in various instruments under the long-term incentive (LTI) scheme, and the use of a single measure of headline earnings per share (HEPS) in the short-term incentive (STI) scheme for executive directors.

### Meeting objectives

We trust that our various engagements with shareholders to address these issues and our concerted effort to improve disclosure in this year's report will demonstrate that we have considered shareholder feedback.

### Future focus areas

We have commenced our journey to comply with King IV and will be fully compliant in our next report.

To ensure that our remuneration offering is competitive, fair, ethical and transparent, we periodically enlist the services of PwC South Africa to assess specific aspects of this offering. The committee is satisfied that PwC is independent.



Mark Bowman

Chairman – Remuneration Committee

28 November 2017

## PART 2: OVERVIEW OF REMUNERATION POLICY

The purpose of our remuneration policy is to:

- Attract, engage and retain high-performing employees
- Inspire and motivate people to outperform against the business strategy, goals and targets
- Drive, reward and recognise performance excellence and innovation by significantly differentiating reward for top performers, ie pay for performance.

Page 18 of the integrated report details how the company drives growth and hence sustainable value creation. In addition to ensuring that our remuneration

policy and its implementation is fair and responsible, we set and deliver sustainable business goals and results that are relevant to the socio-economic environment in which we operate.

Our approach to remuneration is simple; we adopt a holistic remuneration philosophy. We have implemented a balanced design with monetary and non-monetary components as shown below. This allows us to integrate our remuneration offering with other benefits outlined in our human resources development policies to create a compelling, well-rounded offering to our employees.



### Summary of our remuneration elements

The monetary components of our remuneration offering comprise fixed remuneration in the form of a guaranteed package, and variable remuneration in the form of short-term and long-term incentive schemes.

#### Guaranteed package (GP) (excluding bargaining unit employees)

- Comprises base pay and benefits
- Benefits include retirement fund contributions, funeral cover, permanent health insurance, death-in-service cover and travel allowances (where applicable)
- Reviewed annually as per the factors below
- Factors determining GP: personal performance (KPIs based on balanced scorecard which includes financial and non-financial metrics), business performance (budget) and market competitiveness (national and sector benchmarks)
- Market benchmark for executive management and prescribed officers – bespoke survey of public data of South African companies listed on the JSE, based on market capitalisation and sector-appropriate peer companies
- Anchor point for market competitiveness
- Premium paid for high performance, high potential and scarce/key skills.

#### Short-term incentives (for employees in management and above)

- Paid annually in cash
- Primary intention – improve business performance by focusing participants' attention on key financial, strategic, functional and personal performance objectives (KPIs based on a balanced scorecard) for sustainable value creation
- By incorporating personal performance, the STI:
  - Drives achievement of our short-term and long-term strategic goals
  - Allows for differentiation in rewarding high performers

- The on-target percentage is benchmarked against the South African market to ensure we are aligned with market practice. It is based on affordability and the STI payment is based on achieving the objectives noted earlier
- Non-financial strategic measures are included in the personal performance objectives. Personal performance is incorporated through the personal performance multiplier, a discretionary percentage ranging from 0% to 175%. This facilitates the appropriate focus on the non-financial and strategic drivers that are key to sustainably achieving the business's long-term goals, particularly since the personal performance multiplier can significantly impact the quantum of an employee's STI
- Changes for FY18
  - Based on shareholder feedback and an internal review, primary financial KPIs for executive directors have been revised to include HEPS (35%), earnings before interest and taxation (EBIT) (35%), sales volume growth (15%) and working capital management (15%).

#### Long-term incentive Management and above

- Long-term sustainable performance is enabled by granting annual allocations of share appreciation rights (SARs) and bonus matching shares under the Tiger Brands Limited 2013 Share Plan (LTIP). In addition, ownership in the company's shares is encouraged by permitting a portion of the STI to be deferred. Key elements of the LTIP are summarised below:
  - Annual awards of SARs, with a performance vesting condition of real HEPS growth, combined with an overarching condition that the company's return on capital must exceed its weighted average cost of capital. Targeted HEPS growth is equal to CPI and the annual growth in GDP. Vesting is on a sliding scale
  - Annual awards of bonus matching shares are linked directly to achieving the short-term incentive bonus (STI) in the prior financial year. If no bonus is earned, bonus shares are not awarded

# Remuneration report continued

- A performance differentiation tool (PDT) is used to modify the standard quantum of SARs and bonus-matching shares, based on an individual's personal performance, leadership and ability. This is a discretionary percentage ranging from 0% to 200%
- Executive management and other senior management may voluntarily defer a portion (25%, 33% or 50%) of STI into company shares (deferred bonus shares), which are then matched 1:1 by the company (company matching shares)
- Vesting periods
  - Bonus matching, deferred bonus shares and company matching shares: these are subject to continued tenure for three years after being granted
  - SARs: these will be available to be settled in equal thirds on the third, fourth and fifth anniversaries of the date of allocation, but need not be exercised until the sixth anniversary, when they must be exercised or lapse. Vesting will depend on the company's performance relative to specified conditions, as set out above, measured over a three, four and five-year period, respectively

## BEE schemes

Two schemes were previously established as part of the company's empowerment initiatives:

- **Tiger Brands Black Managers Trust (BMT I)**
  - Established in 2005 to attract and retain talent
  - Rights allocated – Tiger Brands shares. Rights are settled after making the required capital contributions to BMT I at any time after the specified lock-in period, ie from 1 January 2015. For all rights allocated after 31 July 2010, the lock-in date varies depending on the date of allocation
- **Tiger Brands Black Managers Trust II (BMT II)**
  - Established in 2009
  - As a mechanism to attract and retain talent, black managers received a once-off allocation of shares which vest on termination of the scheme on 31 December 2017 (after Tiger Brands has exercised its right to repurchase a certain number of shares from BMT II under an agreed formula). Periodically, new allocations were made to new joiners and top-up allocations were made to existing participants promoted to higher grades as shares became available after forfeitures
  - As part of the company's plans to retain black talent, the remuneration committee has approved a specific retention allocation at 30 September 2017 to a select group of black managers (37), including two executive committee members. The lock-in period will run from 1 October 2017 to 30 September 2020. Participants defined as bad leavers during this period (eg resignation) will forfeit their allocation of shares. For those who remain employed until 1 October 2020, the shares will vest fully

## • Thusani Trust

- Established in 2005 as part of the company's BEE phase I empowerment initiative. The trust's resources were enhanced in 2009 in terms of the company's BEE phase II transaction
- As part of our social investment initiatives, the trust provides bursaries for tertiary education to dependants of permanently employed black employees who might not otherwise be able to afford this cost

## • Changes for FY18

- Given the success of the two black manager schemes in attracting and retaining key talent, and with no further shares available for allocation, the current policy of granting restricted shares has been adjusted to allow for the use of restricted shares as an attract-and-retain mechanism.

## Historical LTI information

The last award of performance shares was made in May 2016.

Vesting of performance shares is determined by the company's comparative total shareholder return (TSR) relative to the TSR of the constituent members of the FINDI 30 index over the three-year vesting period as follows:

- Position 15 out of 30: the targeted number (one-third of maximum number) of performance shares awarded will vest
- Position 7 or better: the maximum number (three times targeted number) of performance shares awarded will vest
- Position 23 or worse: all performance shares awarded will be forfeited
- Between position 7 and 15, or between 15 and 23: a *pro-rated* number of performance shares will vest.

Any performance shares that do not vest at the end of the three-year period will be forfeited.

## Performance conditions for SARs allocated before December 2016

For outstanding SARs allocated before December 2016, the performance vesting conditions are based on a targeted rate of 3% per annum real growth in HEPS over three, four and five-year periods.

Percentage threshold levels for real HEPS growth and corresponding percentage of allocation to vest:

• >0% and <0,5%	5%
• ≥0,5% and <1,0%	10%
• ≥1,0% and <1,5%	16%
• ≥1,5% and <2,0%	27%
• ≥2,0% and <2,5%	44%
• ≥2,5% and <3,0%	75%
• ≥3,0%	100%

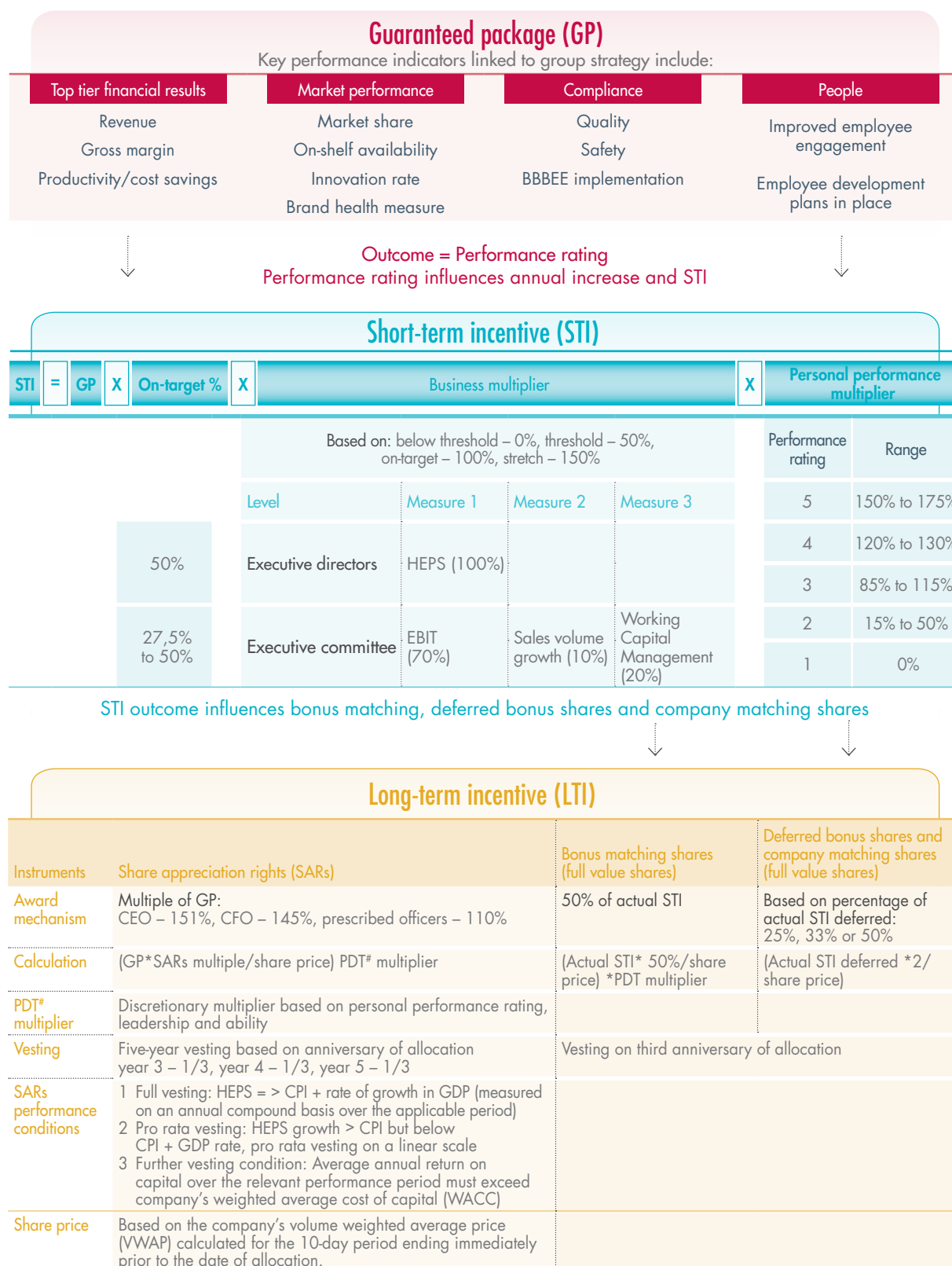
## • Dilution

- Under the rules of the Tiger Brands Phantom Cash Option scheme (which has been replaced by the LTIP), at any point the aggregate number of unexercised phantom options is limited to 10% of the total issued share capital of the company. As at 30 September 2017, aggregate outstanding options under the scheme represented 0,06% (2016: 0,18%) of the company's issued share capital
- The maximum aggregate number of shares that may be acquired by participants under the LTIP and any other share plan may not exceed 5,5 million shares; and for any one participant 550 000 shares. In determining these limits, shares acquired through the JSE and transferred to participants are not considered. As at 30 September 2017, the aggregate number of shares that may be acquired by participants under the various schemes was 1 742 012 (2016: 1 515 298).



## Remuneration framework

The tables below summarise our remuneration elements and show how they are integrated as part of the company's total remuneration offering for FY17:



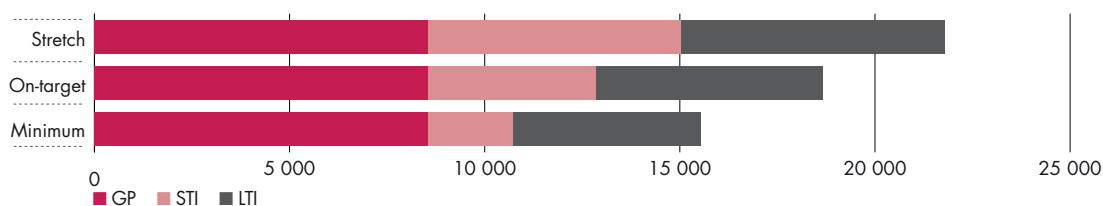
# Performance differentiation tool (PDT).

# Remuneration report continued

## Total remuneration potential for members of executive management for the year ended 30 September 2017

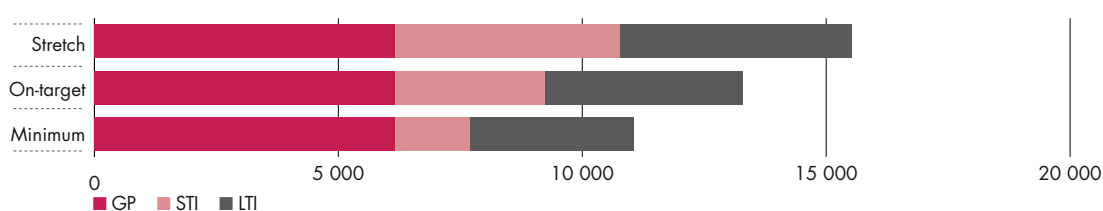
### CEO

R000		GP	STI	LTI	Total
Chief executive officer	Minimum	8 547	2 153	4 841	15 541
	On-target	8 547	4 305	5 809	18 661
	Stretch	8 547	6 458	6 778	21 783



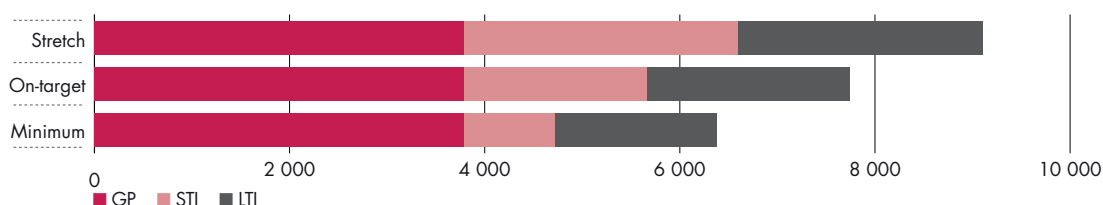
### CFO

R000		GP	STI	LTI	Total
Chief financial officer	Minimum	6 156	1 538	3 370	11 064
	On-target	6 156	3 075	4 062	13 293
	Stretch	6 156	4 613	4 754	15 523



### Other executives (average)

R000		GP	STI	LTI	Total
Other executives (average)	Minimum	3 785	937	1 659	6 381
	On-target	3 785	1 875	2 081	7 741
	Stretch	3 785	2 812	2 502	9 099



### Minimum shareholding policy

We have introduced a minimum shareholding policy, where senior executives are expected to build up their personal shareholding in the company to a minimum level of 150% of GP (for the CEO) and 100% of GP for other executive committee members. Executives have six years to build up these holdings and may use a portion of their STI, any vesting LTIs or their own resources, to acquire these shares.

Name	GP*	Value**	% of GP	Target %	Years remaining to meet target
LC Mac Dougall	8 610 000	245 278	3%	150%	5
NP Doyle	6 150 000	3 282 190	53%	100%	5
CFH Vaux	4 963 351	–	–	–	–
PW Spies	4 600 000	–	–	100%	6
AG Kirk	4 590 107	929 790	20%	100%	5

\* GP as at 30 September 2017.

\*\* Value calculated with reference to the closing price of a Tiger Brands share as at 29 September 2017, ie R377,35.

## Recognition

The Tiger Stripes programme has been refreshed and consolidated to focus on acknowledging the efforts of individuals and business teams in meeting business goals and to reinforce the behaviours aligned to our values and leadership principles.

The new programme also includes an on-the-spot recognition mechanism to enable line managers to reward employees immediately via cash awards (gift cards) for their efforts in successfully completing a specific project, a significant task or for sustained high achievement.

## Executive service contracts

Senior executives are employed full-time under standard agreements with a notice period of three months. The current retirement age is 63, although a retirement age of 65 applies to two members.

We strive to bind all senior executives by a restraint-of-trade agreement. To the extent that executives have access to proprietary business insights and intellectual property, Tiger Brands will enforce the agreement should they join a competitor. The restraint comprises a three-month notice period and three months' special leave (paid as a three-month lump sum (based on guaranteed package) on termination.


For terminations due to retirement or retrenchment, contractual entitlements include a pro rata short-term incentive payment (based on the extent of achieving specified financial and strategic targets for the period and a personal performance agreement being in place at the date of exit). No pro rata bonus is paid to employees who leave for other reasons, eg resignation or dismissal.

The termination rules for awards made under the Tiger Brands Limited 2013 Share Plan specify that, if an individual's employment is terminated on a no fault basis, depending on the nature of the unit (ie whether it is SARs, bonus matching shares, deferred bonus shares or company matching shares) and reasons for termination, a participant may retain all units or a pro rata portion thereof. Accelerated vesting and settlement of retained units may apply in certain circumstances. In the case of a fault termination, all unvested units (other than certain deferred bonus shares) will be forfeited.

## External board appointments

Tiger Brands encourages members of the executive committee to consider accepting appropriate opportunities to serve as non-executive directors on the main board or committees of external companies. We believe this encourages our executives to broaden their skills base and experience.

Under a formal policy, an executive is limited to one substantive outside directorship. The chairman of the Tiger Brands board, the chairman of the nominations committee, and the chairman of the remuneration committee are required to authorise these appointments based on a recommendation from the CEO. Directors' fees under this policy may be retained by the individual. Other than associate companies, Tiger Brands currently has no executive members serving as non-executive directors on the main boards of external companies.

 Details of executive committee members serving on the boards of associate companies appear on page 79.

## Non-executive directors

### Appointment and contractual arrangements

Non-executive directors are appointed to the board of Tiger Brands in line with related policy and procedures. These are formal, transparent and a matter for the board as a whole, based on a recommendation by the nominations committee. The letter of appointment confirms the terms and conditions for the tenure of this appointment and includes reappointment by rotation. In terms of the company's memorandum of incorporation, one-third of directors are required to retire by rotation at each AGM; their reappointment is contingent on being re-elected to serve on the board by shareholders.

Executive directors are subject to standard terms and conditions of employment and are required to retire from the board by rotation in line with the company's memorandum of incorporation. Any executive and non-executive director appointed to fill a vacant position during the year must be subject to re-election at the first annual general meeting following the appointment.


There are no contractual arrangements for compensation due to loss of office. Non-executive directors do not receive short-term incentives or participate in any long-term incentive plan.

### Fees and approval process

Non-executive directors are paid an annual retainer that reflects their overall contribution and input to the company, and not just for attendance at board and committee meetings.

Fees are reviewed annually and increases are implemented in March after approval at the AGM. A bespoke survey is conducted to benchmark these fees against a global/local comparator group comprising companies of similar size and operating in similar industries. The measurement criteria include turnover, total assets and number of employees.

The chairman does not receive any additional remuneration for participating in committees of the board. Non-executive directors who perform services outside the scope of their ordinary duties may receive additional remuneration. Shareholder approval will be sought for increasing non-executive directors' fees, including fees paid for attending special board meetings and for additional work. Details of proposed increases for 2018 appear on page 102 as well as in the notice of AGM of shareholders to be held on 20 February 2018.

 Details of non-executive directors' fees paid in the review period appear in part 3 on pages 100 and 101.

### Shareholder engagement

We take our shareholder feedback seriously and aim to keep the lines of communication open. The remuneration committee is committed to shareholder engagement and will take the following steps if 25% or more of total votes exercised by shareholders at the upcoming AGM are against the remuneration policy or implementation report:

- The company will issue a SENS announcement inviting dissenting shareholders to note their specific concerns and to engage with the company, and
- The company will consider these concerns and report on the outcome of this engagement, and measures taken, in its next integrated report.

 For our full remuneration policy, please see [www.tigerbrands.com](http://www.tigerbrands.com)

# Remuneration report continued

## PART 3: REMUNERATION IMPLEMENTATION REPORT

The implementation report addresses the following:

- Feedback received from shareholders on the previous remuneration report and our response
- How the remuneration policy was implemented for the financial year under review

### Summary of feedback from shareholders and responses

The following common themes of concern were noted by shareholders:

Shareholder feedback	Response by Tiger Brands
Vesting criteria for performance shares were perceived as being overly generous. In addition, restricted shares are not subject to performance conditions	From December 2016, performance shares no longer form part of annual allocations.  All regular annual LTI awards are subject to performance conditions, either in the form of "performance on the way in" (bonus matching shares/deferred bonus shares and company matching shares), which are linked to the achievement of a short-term incentive bonus or during the vesting period (SARs).
The absence of a return metric across incentive schemes	For SARs (from December 2016), a further condition for vesting to occur is that the average of Tiger Brands' annual returns on capital over the relevant performance period must exceed its weighted average cost of capital (WACC) for the same period. From FY18, KPI targets for executive management will include a targeted return on net assets (RONA).
The vesting criteria of 3% HEPS growth for share appreciation rights (SARs) being perceived as low	Performance conditions for SARs are usually viewed as an underpin, with the embedded condition of share price growth being the primary objective. Market benchmarks for SARs targets are usually more moderate than those for full-value share awards (CPI or CPI +2% pa compared to vesting targets for full-value shares which are CPI +5% to 10% pa).
Additional cash payments made to the CEO and CFO without specific substantiation	Sign-on bonuses are considered only in exceptional circumstances and may be required to compensate a prospective executive for unvested LTIs granted by his/her current employer. The company will only consider retention awards in exceptional circumstances, which was the case in 2016 after restructuring the executive committee and appointing a new CEO.
Executive directors' STI targets being reduced to a single measure of targeted group (HEPS)	This has been changed. From FY18, primary financial STI targets for executive directors will comprise HEPS (35%), earnings before interest and taxation (EBIT) (35%), sales volume growth (15%) and working capital management (15%).
The removal of strategic objectives, as a primary metric, from the short-term incentive scheme	We have enhanced disclosure on the STI scheme and executive management's KPIs, which include financial and non-financial measures.  The STI scheme is a multiplier scheme, aligned with global best practice, using a "business multiplier" which primarily focuses on financial metrics to ensure alignment with shareholder outcomes, as well as a personal performance multiplier, which differentiates based on the achievement of an individual's KPIs. This ensures that there is personal accountability for both the financial and strategic aspects of our business.

For the review period, in addition to the HEPS financial KPI, the following KPIs applied to the CEO and CFO. The level of achievement is reflected for each KPI:

KPIs scorecard							
<b>Top tier financial results</b>		<b>Market performance</b>		<b>Compliance</b>		<b>People</b>	
Revenue	●	Market share	●	Quality	●	Improved employee engagement	●
Gross margin	●	On-shelf availability	●	Safety	●	Employee development plans in place	●
Productivity/cost savings	●	Innovation	●	BBBEE implementation	●		
		Brand health	●				

● Met   ● Partially met   ● Not met

### Total remuneration of executive directors and prescribed officers

The total remuneration of executive directors and prescribed officers on a single-figure basis, as required by King IV and in line with guidance from the Institute of Directors and South African Reward Association is shown below.

#### Total remuneration of executive directors and prescribed officers for the financial year ended September 2017

Name	Salary	Benefits	GP	Other	STI*	LTI	2017 total
LC Mac Dougall**	8 058 719	488 424	8 547 143	–	–	4 596 025	13 143 168
NP Doyle**	5 211 772	943 704	6 155 476	–	–	5 334 903	11 490 379
CFH Vaux**	4 531 406	398 030	4 929 436	–	–	–	4 929 436
AG Kirk**	3 955 010	593 883	4 548 893	–	2 320 310	2 192 882	9 062 085
PW Spies***	2 343 743	490 568	2 834 311	1 740 154	1 782 738	1 586 233	7 943 436

\* Value of STI includes the value of bonus deferrals, if any, given the LTI was allocated on 11 December 2017.

\*\* Expected LTI value based on award as at 7 December 2016 at R395,97 per share.

\*\*\* Expected LTI value based on award as at 5 September 2017 at R403,56 per share.

Other: sign-on bonus for PW Spies.

#### Total remuneration of executive directors and prescribed officers for the financial year ended September 2016

Name	Salary	Benefits	GP	Other	STI*	LTI**	2016 total
LC Mac Dougall***	3 053 378	215 745	3 269 123	20 000 000	256 250	7 119 518	30 644 891
NP Doyle	4 716 246	923 254	5 639 500	10 000 000	417 993	4 402 954	20 460 447
CFH Vaux	4 118 660	622 064	4 740 724	–	709 050	–	5 449 774
AG Kirk	3 582 427	731 803	4 314 230	4 028 000	433 151	2 212 504	10 987 885
NG Brimacombe	3 624 920	940 083	4 565 003	–	–	1 015 413	5 580 416

\* Value of STI excludes the value of bonus deferrals, if any.

\*\* Expected LTI value based on award as at 9 February 2016 at R291,71 per share.

\*\*\* Expected LTI value based on award on 24 May 2016 at R341,68 per share

Other: sign-on bonus for LC Mac Dougall and retention payments for NP Doyle and AG Kirk.

# Remuneration report continued

## 2017 short-term incentive outcomes

The graphics below show the outcomes of the business multiplier component as well as the personal performance multiplier component relative to the targets for the respective executive directors and prescribed officers' schemes.

### Executive directors

Measure	Actual multiplier achieved	Weight	Weighted multiplier %
HEPS	0%	100%	0%
Actual business multiplier for executive directors			0%



The individual outcomes for the executive directors are shown below.

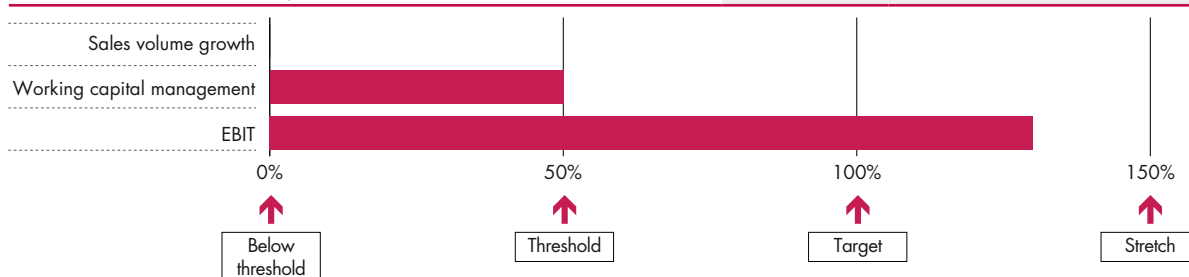
Name	GP*	On-target %	Actual business multiplier %	Actual personal performance multiplier %	2017 STI	2016 STI**
LC Mac Dougall	8 610 000	50%	0%	100%	0	512 500
NP Doyle	6 150 000	50%	0%	130%	0	835 985
CFH Vaux	4 963 351	50%	0%	100%	0	709 050

\* Annual GP as at 30 September 2017.

\*\* Includes the value of bonus deferrals.

### Prescribed officers

Measure	Actual multiplier achieved	Weight	Weighted multiplier %
EBIT	130%	70%	91,1%
Working capital management	50%	20%	10,0%
Sales volume growth	0%	10%	0,0%
Actual business modifier for prescribed officers			101,1%



The individual outcomes for prescribed officers are shown below.

Name	GP*	On-target %	Actual business multiplier %	Actual personal performance multiplier %	2017 STI**	2016 STI**
AG Kirk	4 590 107	50%	101,1%	100%	2 320 310	646 494
PW Spies***	4 600 000	50%	101,1%	115%	1 782 738	N/A

\* Annual GP as at 30 September 2017.

\*\* Includes the value of bonus deferrals.

\*\*\* STI prorated as the start date was 1 February 2017.



## Short-term incentives for FY17

Name	GP*	2017 STI**	% of GP
LC Mac Dougall	8 610 000	–	–
NP Doyle	6 150 000	–	–
CFH Vaux	4 963 351	–	–
AG Kirk	4 590 107	2 320 310	51%
PW Spies***	4 600 000	1 782 738	39%

\* Annual GP as at 30 September 2017.

\*\* Includes the value of bonus deferrals.

\*\*\* STI prorated as the start date was 1 February 2017.

## Long-term incentives

### Awards

The long-term incentive awards made during the year to executive directors and prescribed officers are set out below. The 10-day volume weighted average price at award date was R395,97 per share, on 7 December 2016 and R403,56 as at 5 September 2017.

Name	PDT multiplier	GP	SARs			Bonus matching shares				Deferred bonus shares and company matching shares		
			Award %	Face value	Number	STI***	Award %	Face value	Number	Match %	Face value	Number
LC Mac Dougall*	100%	8 610 000	151%	13 003 655	32 840	512 500	50%	257 381	650	100%	514 761	1 300
NP Doyle*	150%	6 150 000	145%	13 375 867	33 780	835 985	50%	629 592	1 590	100%	839 456	2 120
CFH Vaux*	100%	4 963 351	–	–	–	709 050	–	–	–	100%	–	–
PW Spies**	–	4 600 000	110%	5 287 443	13 102	–	50%	–	–	100%	–	–
AG Kirk*	100%	4 590 107	110%	5 052 577	12 760	646 494	50%	324 695	820	100%	427 648	1 080

Name	Expected value (based on fair value)		
	SARS	Bonus matching shares	Deferred bonus shares and company matching shares
LC Mac Dougall*	3 901 097	231 643	463 285
NP Doyle*	4 012 760	566 633	755 510
CFH Vaux	–	–	–
PW Spies**	1 586 233	–	–
AG Kirk*	1 515 773	292 226	384 883

\* Allocated on 7 December 2016 at a VWAP of R395,97.

\*\* Allocated on 5 September 2017 at a VWAP of R403,56.

\*\*\* STI in respect of the year ended 30 September 2016.

## Vesting

The outcome for awards due to vest in FY17, and whose performance conditions end by 30 September 2017, are shown below:

LTI allocation	LTI measures		Performance condition result (% vesting)
	Total shareholder return	Real HEPS growth	
Performance vesting shares granted in February 2014. Vested in February 2017	●	n/a	300%
Phantom cash options granted in 2013 – third tranche*	n/a	●	–
Share appreciation rights granted in 2013 – third tranche	n/a	●	–
Share appreciation rights granted in 2014 – second tranche	n/a	●	100%
Share appreciation rights granted in 2015 – first tranche	n/a	●	27%

\*Only 50% of which were subject to performance conditions.

● Met   ● Partially met   ● Not met

# Remuneration report continued

## Schedule of LTI awards

Unvested awards and cash flow from settling LTI awards for the CEO and CFO are tabulated below.

Name and awards	Award date	Vesting date	Opening number	Granted during the year	Grant price ZAR
<b>LC Mac Dougall</b>					
2016 deferred bonus shares	07/12/2016	07/12/2019	–	650	–
2016 company matching shares	07/12/2016	07/12/2019	–	650	–
2016 bonus matching shares	07/12/2016	07/12/2019	–	650	–
2016 performance shares	26/05/2016	24/05/2019	8 160	–	–
2016 SARs	24/05/2016	24/05/2019	12 000	–	341,68
		24/05/2020	12 000	–	341,68
		24/05/2021	12 000	–	341,68
2016 SARs	07/12/2016	07/12/2019	–	10 946	395,97
		07/12/2020	–	10 947	395,97
		07/12/2021	–	10 947	395,97
<b>Total</b>			<b>44 160</b>	<b>34 790</b>	
<b>NP Doyle</b>					
2015 company matching shares	03/12/2015	03/12/2018	2 688	–	–
2015 deferred bonus shares	03/12/2015	03/12/2018	2 688	–	–
2016 company matching shares	07/12/2016	07/12/2019	–	1 060	–
2016 deferred bonus shares	07/12/2016	07/12/2019	–	1 060	–
2015 bonus matching shares	04/02/2015	04/02/2018	2 320	–	–
2016 bonus matching shares	09/02/2016	09/02/2019	1 330	–	–
2016 bonus matching shares	07/12/2016	07/12/2019	–	1 590	–
2014 performance shares	28/02/2014	28/02/2017	2 790	–	–
2015 performance shares	04/02/2015	04/02/2018	2 490	–	–
2016 performance shares	09/02/2016	09/02/2019	5 720	–	–
2012 Phantom Cash Share Options	07/02/2012	07/02/2015	5 000	–	252,01
		07/02/2016	5 000	–	252,01
		07/02/2017	10 000	–	252,01
2013 Phantom Cash Share Options	13/02/2013	13/02/2016	5 000	–	299,83
		13/02/2017	10 000	–	299,83
		13/02/2018	10 000	–	299,83
2014 SARs	28/02/2014	28/02/2017	6 067	–	254,45
		28/02/2018	6 067	–	254,45
		28/02/2019	6 066	–	254,45
2015 SARs	04/02/2015	04/02/2018	3 846	–	385,33
		04/02/2019	3 847	–	385,33
		04/02/2020	3 847	–	385,33
2016 SARs	09/02/2016	09/02/2019	7 623	–	291,71
		09/02/2020	7 623	–	291,71
		09/02/2021	7 624	–	291,71
2016 SARs	07/12/2016	07/12/2019	–	11 260	395,97
		07/12/2020	–	11 260	395,97
		07/12/2021	–	11 260	395,97
<b>Total</b>			<b>117 636</b>	<b>37 490</b>	

A full analysis of the annual movement in phantom cash-settled options, performance shares, bonus matching, deferred bonus shares, company matching shares and share appreciation rights held by executive directors, prescribed officers and other members of the executive committee is set out on pages 68 to 74 of Annexure C to the annual financial statements.

Forfeited during year	Performance condition achieved	Settled during the year	Closing number	Cash received ZAR	Value of shares acquired ZAR	Closing fair value vesting ZAR
-	-	-	650	-	-	230 874
-	-	-	650	-	-	230 874
-	-	-	650	-	-	230 874
-	-	-	8 160	-	-	5 209 752
-	-	-	12 000	-	-	1 175 280
-	-	-	12 000	-	-	1 270 080
-	-	-	12 000	-	-	1 334 760
-	-	-	10 946	-	-	894 945
-	-	-	10 947	-	-	966 182
-	-	-	10 947	-	-	1 051 131
-	-	-	78 950	-	-	12 594 752
-	-	-	2 688	-	-	981 846
-	-	-	2 688	-	-	981 846
-	-	-	1 060	-	-	376 501
-	-	-	1 060	-	-	376 501
-	-	-	2 320	-	-	867 054
-	-	-	1 330	-	-	483 309
-	-	-	1 590	-	-	564 752
-	5 580	(8 370)	-	1 440 384	2 058 276	-
-	-	-	2 490	-	-	567 820
-	-	-	5 720	-	-	3 807 518
-	-	-	5 000	-	-	640 250
-	-	-	5 000	-	-	640 250
(5 000)	-	-	5 000	-	-	640 250
-	-	-	5 000	-	-	432 000
(5 000)	-	-	5 000	-	-	432 000
-	-	-	10 000	-	-	864 000
-	-	-	6 067	-	-	799 570
-	-	-	6 067	-	-	808 852
-	-	-	6 066	-	-	849 786
-	-	-	3 846	-	-	203 415
-	-	-	3 847	-	-	257 672
-	-	-	3 847	-	-	295 603
-	-	-	7 623	-	-	934 504
-	-	-	7 623	-	-	984 053
-	-	-	7 624	-	-	1 021 331
-	-	-	11 260	-	-	920 618
-	-	-	11 260	-	-	993 808
-	-	-	11 260	-	-	1 081 185
(10 000)	5 580	(8 370)	142 336	1 440 384	2 058 276	21 806 294

# Remuneration report continued

## Interests of directors and prescribed officers in BEE schemes

No executive directors or prescribed officers qualify to participate in either of the company's BEE schemes.

## Non-executive directors' fees

Total emoluments to non-executive directors for the year ended 30 September 2017, inclusive of VAT from 1 June 2017, were:

	MO Ajukwu	SL Botha	MJ Bowman	K Hedderwick <sup>1</sup>	M Makanjee	E Mashilwane <sup>2</sup>
Board fees	612 707	368 491	368 491	90 316	368 491	278 175
Carozzi board meeting	-	-	-	-	-	-
Audit committee fees	-	-	-	-	-	81 988
Investment committee fees	-	-	41 805	-	-	-
Remuneration committee fees	-	201 729	-	-	47 096	-
Nominations committee fees	-	7 560	-	-	7 560	-
Social, ethics and transformation committee fees	-	-	-	-	164 046	-
Risk committee fees	199 680	-	67 172	-	-	-
Extraordinary fees	-	-	-	-	-	-
Ad hoc work/meetings	-	-	-	-	25 200	-
	<b>812 387</b>	<b>577 780</b>	<b>477 468</b>	<b>90 316</b>	<b>612 393</b>	<b>360 163</b>

<sup>1</sup> Appointed on 1 December 2016 and resigned on 14 February 2017.

<sup>2</sup> Appointed on 1 December 2016.

<sup>3</sup> Resigned on 30 June 2017.

<sup>4</sup> Resigned as chairman on 21 February 2017.

<sup>5</sup> Appointed on 26 May 2017.

<sup>6</sup> Appointed as chairman on 21 February 2017.

Annual fees payable to non-executive directors for the period beginning 1 March 2017 were approved by shareholders on 21 February 2017.

Total emoluments to non-executive directors for the year ended 30 September 2016 were:

	MO Ajukwu	SL Botha	MJ Bowman	K Hedderwick	M Makanjee	E Mashilwane
Directors' fees	352 664	352 664	352 664	-	352 664	-
Carozzi board meeting	-	-	-	-	-	-
Audit committee fees	-	-	-	-	-	-
Investment committee fees	-	-	-	-	-	-
Remuneration committee fees	-	194 995	-	-	-	-
Nominations committee fees	-	12 413	-	-	12 413	-
Social, ethics and transformation committee fees	-	-	-	-	152 351	-
Risk committee fees	86 641	-	-	-	-	-
Extraordinary fees	-	-	-	-	-	-
Ad hoc work/meetings	36 200	68 600	36 200	-	79 400	-
	<b>475 505</b>	<b>628 672</b>	<b>388 864</b>	<b>#</b>	<b>596 828</b>	<b>#</b>

# Appointed during the 2017 financial year, thus not applicable for the year ended 30 September 2016.

Dr KD Mokhele <sup>6</sup>	BL Sibiya <sup>3</sup>	RD Nisbet	MP Nyama	AC Parker <sup>4</sup>	YGH Suleman	BS Tshabalala <sup>5</sup>
1 053 045	658 948	368 491	368 491	838 858	368 491	93 929
-	-	-	-	218 010	-	-
71 823	-	280 052	-	-	153 811	-
11 340	-	58 815	-	-	41 805	-
-	-	-	95 621	-	48 526	-
-	-	-	7 560	-	-	-
-	-	-	82 022	-	-	-
96 617	-	112 357	-	-	132 369	-
-	-	-	-	-	-	-
47 880	-	-	-	22 680	-	-
1 280 705	658 948	819 715	553 694	1 079 548	745 002	93 929

Dr KD Mokhele	BL Sibiya	RD Nisbet	MP Nyama	AC Parker	YGH Suleman	BS Tshabalala
352 664	846 393	352 664	352 664	1 637 770	352 664	-
-	-	-	-	76 020	-	-
138 947	-	268 024	-	-	138 947	-
3 780	-	3 780	-	-	3 780	-
-	-	-	97 052	-	97 052	-
-	-	-	12 413	-	-	-
-	-	-	76 175	-	-	-
186 077	-	86 641	-	-	-	-
-	-	-	-	36 200	-	-
139 100	36 200	139 100	57 800	32 400	171 500	-
820 569	882 593	850 209	596 103	1 782 390	763 943	#

## Remuneration report continued

### Proposed non-executive directors' fees for 2018

The proposed fees from 1 March 2018, excluding VAT, to be approved at the AGM on 20 February 2018.

Forum	Capacity	Current rate effective March 2017	Proposed rate resident board members – effective March 2018	Proposed fees for non-resident board members – effective March 2018
Main board	Chairman	1 744 825	1 849 515	*
	Deputy chairman	901 719	*	*
	Member	375 717	398 260	915 998
Audit	Chairman	285 543	302 676	*
	Member	163 976	173 815	*
Remuneration and nominations	Chairman	208 463	220 971	*
	Member	94 191	99 842	*
Risk	Chairman	264 737	280 621	*
	Member	134 343	142 404	327 528
Social, ethics and transformation	Chairman	172 025	182 347	*
	Member	86 012	91 173	*
Hourly fees		3 931	4 167	9 584
Extraordinary meetings		19 765	20 951	48 187

\* Not applicable

### Non-binding advisory vote

Shareholders are requested to cast an advisory vote on the remuneration policy and implementation report in parts 2 and 3 of this report.

# Shareholders' diary

Financial year end	30 September
Annual general meeting	20 February 2018

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## Reports and accounts

Announcement of interim results and dividend for the six months ending 31 March 2018	May 2018
Announcement of annual results and final dividend for the year ending 30 September 2018	November 2018
Integrated annual report	December 2018

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<b>Dividends 2018</b>	<b>Declaration</b>	<b>Payment</b>
Ordinary shares		
Interim dividend	May 2018	July 2018
Final dividend	November 2018	January 2019

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# Declaration of final dividend number 146

The board has approved and declared a final cash dividend of 702 cents per ordinary share (gross) in respect of the year ended 30 September 2017.

The dividend will be subject to the dividends tax that was introduced with effect from 1 April 2012. In accordance with paragraphs 11.17(a)(i) to (x) and 11.17(c) of the JSE Listings Requirements, the following additional information is disclosed:

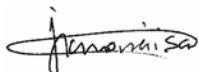
- The dividend has been declared out of income reserves
- The local dividend tax rate is 20% (twenty percent) effective 22 February 2017
- The gross local dividend amount is 702 cents per ordinary share for shareholders exempt from the dividends tax
- The net local dividend amount is 561,60 cents per ordinary share for shareholders liable to pay the dividends tax
- Tiger Brands has 192 069 868 ordinary shares in issue (which includes 10 326 758 treasury shares)
- Tiger Brands Limited's income tax reference number is 9325/110/71/7.

Shareholders are advised of the following dates in respect of the final dividend:

Last day to trade cum the final dividend	Tuesday, 9 January 2018
Shares commence trading ex the final dividend	Wednesday, 10 January 2018
Record date to determine those shareholders entitled to the final dividend	Friday, 12 January 2018
Payment in respect of the final dividend	Monday, 15 January 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 10 January 2018, and Friday, 12 January 2018, both days inclusive.

By order of the board



**JK Monaisa**  
*Company secretary*

24 November 2017

# Analysis of registered shareholders and company schemes

## Registered shareholder spread

In accordance with the JSE Listings Requirements, the following table confirms the spread of registered shareholders as detailed in the annual report and accounts dated 29 September 2017:

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of share issued capital
1 – 1 000 shares	16 885	82,20	3 989 001	2,08
1 001 – 10 000 shares	2 840	13,82	8 675 034	4,52
10 001 – 100 000 shares	632	3,08	19 469 329	10,14
100 001 – 1 000 000 shares	149	0,73	46 053 296	23,97
1 000 001 shares and above	35	0,17	113 883 208	59,29
<b>Total</b>	<b>20 541</b>	<b>100,00</b>	<b>192 069 868</b>	<b>100,00</b>

## Public and non-public shareholdings

Within the shareholder base, we are able to confirm the split between public shareholdings and directors/company-related schemes as being:

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of share issued capital
Non-public shareholders	11	0,05	29 270 625	15,24
Empowerment holdings	6	0,04	18 711 115	9,74
Own holding	1	–	10 326 758	5,38
Share trusts	2	0,01	226 581	0,12
Directors and associates	2	–	6 171	–
Public shareholders	20 530	99,95	162 799 243	84,76

# Analysis of registered shareholders and company schemes continued

## Substantial investment management and beneficial interests above 3%

Through regular analysis of STRATE registered holdings, and pursuant to the provisions of section 56 of the Companies Act, the following shareholders held directly and indirectly equal to or in excess of 3% of the issued share capital as at 29 September 2017:

### Investment management shareholdings

Investment manager	Total shareholding	%
PIC	21 816 247	11,35
Colonial First State Global Asset Management	8 892 849	4,63
BlackRock Inc	6 954 447	3,62
Coronation Asset Management Proprietary Limited	6 814 354	3,55
Janus Henderson Investors	6 601 012	3,44
The Vanguard Group Inc	6 146 961	3,20
<b>Total</b>	<b>57 225 870</b>	<b>29,79</b>

Beneficial shareholdings	Total shareholding	%
Government Employees Pension Fund (PIC)	25 583 368	13,32
Tiger Consumer Brands Limited	10 326 758	5,38
Tiger Brands Foundation SPV	9 668 067	5,03
<b>Total</b>	<b>45 578 193</b>	<b>23,73</b>

# Company information

## **Tiger Brands Limited**

Registration number: 1944/017881/06

## **Company secretary**

JK Monaisa (appointed 1 November 2017)

## **Registered office**

3010 William Nicol Drive  
Bryanston  
Sandton

## **Postal address**

PO Box 78056, Sandton, 2146  
Telephone: +27 11 840 4000  
Facsimile: +27 11 514 0477

## **Auditors**

Ernst & Young Inc

## **Principal banker**

Nedbank Limited

## **Sponsor**

JP Morgan Equities South Africa Proprietary Limited

## **South African share transfer secretaries**

Computershare Investor Services Proprietary Limited  
Rosebank Towers, 15 Biermann Avenue  
Rosebank  
2196

## **American Depository Receipt (ADR) facility**

ADR Administrator  
The Bank of New York Mellon

## **Investor relations**

Nikki Catrakilis-Wagner  
Telephone: +27 11 840 4000

## **Website address**

[www.tigerbrands.com](http://www.tigerbrands.com)

## **Contact details**

[Companysecretary@tigerbrands.com](mailto:Companysecretary@tigerbrands.com)  
[Investorrelations@tigerbrands.com](mailto:Investorrelations@tigerbrands.com)  
[Tigercsd@tigerbrands.com](mailto:Tigercsd@tigerbrands.com)  
Consumer help line: 0860 005342

### Forward-looking information

This integrated annual report contains forward-looking statements that, unless otherwise indicated, reflect the company's expectations at the time of finalising the report. Actual results may differ materially from these expectations if known and unknown risks or uncertainties affect the business, or if estimates or assumptions prove inaccurate. The company cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these statements. The company assumes no obligation to update or revise any forward-looking statements, even if new information becomes available as a result of future events or for any other reason, save as required by legislation or regulation.



**TIGER BRANDS**



**HEAD OFFICE: SOUTH AFRICA**

**PHYSICAL ADDRESS**

Tiger Brands Limited, 3010 William Nicol Drive, Bryanston

**POSTAL ADDRESS**

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